The China Weekly REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

IN THIS ISSUE

Lord Charles Beresford on the "Break-Up of China"

Matsuoka Defends Japan Before the World

China Demands Justice at Geneva---Japan Recommends International Control

Is Japanese Empire More "Stable" than Chinese Republic?

American Sentiment Favors Collection of European War Debts

Japan's Difficult Problem of Balancing the Budget

If America Should Go Off the Gold Standard

Loans, Bonds, Boxer Indemnity and Shanghai District Court

Another Chinese Protest About Japanese News

Japan Defies the World

Tls. 700,000 Bribe Alleged in China Merchants Deal

Russo-Japanese Non-Aggression Pact Viewed Through Japanese Eyes

Is the National Crisis Over? . . . . . By C. Y. W. Meng

State Ownership of China Merchants S. N. Co. By Paul K. Whang

A Few Thoughts on the China Merchants Affair . . . . . By Geo. W. Missemer

SATURDAY, NOVEMBER 26, 1932 VOLUME 62, NUMBER 13

FORTY CENTS A COPY

62-595

The National City Bank of New York

1-A KIUKIANG ROAD, SHANGHAI

Head Office:

55 WALL STREET, NEW YORK, U.S.A.

Capital, Surplus and Undivided Profits
over U. S. $205,400,000

Branches and Affiliates:

Argentina	**England**	**Philippine Islands**
Belgium	**France**	**Porto Rico**
Brazil	**Haiti**	**Republic of Panama**
Chile	**India**	**Spain**
China	**Italy**	**Straits Settlements**
Colombia	**Japan**	**Uruguay**
Cuba	**Mexico**	**Venezuela**
Dominican Republic	**Peru**	

★

MODERN ELECTRIC COOKING IS SIMPLER

Not necessary to learn new cooking methods. Directions easy and simple. Whole meals cooked at one time. Better results with own favourite recipes.

SHANGHAI POWER CO.

HEAD OFFICE & SHOWROOM:

95 NANKING ROAD

BRANCH SHOWROOMS & COLLECTING OFFICES:

772 Bubbling Well Road - - 107 Boone Road
424 Chekiang Road - - - 440 East Broadway

TELEPHONE 11010 (all Departments)

62-596

READ

"THE CHINESE REPUBLIC"

Edward Bing-Shuey Lee, Editor

SPECIAL FEATURES

1. Review of World Events
2. Survey of the Week's News in China
3. The Mis-Republic
4. Chinese Enterprises
5. Chinese Leaders' Views
6. Sports

OTHER FEATURES

1. Editorials
2. Special Articles on Economic Development, Foreign Affairs, Current Topics and Specialized Subjects
3. Reconstruction
4. Chinese Press Opinion
5. Foreign Press Opinion
6. Documentary Data

20 Cents per Copy

$ 7.00 Mex. per year (domestic)
$16.00 Mex. per year (foreign)

Business and Editorial Offices.
14 Kiukiang Road, Shanghai.

Owing to alteration of building our temporary address is 25 Central Road (Opposite the Ho Hong Bank)

NOTICE

To Subscribers

(*Residing Overseas*)

Dating from August 1, 1932 the subscription rate for persons residing outside of China has been reduced from G.$10 a year to G.$8 a year, including postage.

The new rate applies to subscribers residing in the United States, Canada, Europe and Russia.

The new rate, estimated in the currency of the Federated Malay States is equivalent to s. s. $15. In India, Australia and other places using English currency the rate is equivalent to £2:8:0.

The China Weekly Review

38 Avenue Edward VII
Shanghai.

THE PEOPLE'S TRIBUNE

An Organ of National-Revolutionary Thought and Opinion
Edited by T'ANG LEANG-LI

THE PEOPLE'S TRIBUNE aims at conveying accurate information and the correct interpretation thereof, at informing the foreign public what China's masses and their responsible leaders are hinking and doing, at explaining the significance of major political and other relevant developments—without fear or prejudice.

Among its contributors we find political leaders and thinkers of international repute, such as WANG CHING-WEI, T. V. SOONG, CHEN KUNG-PO, QUO TAI-CHI, Dr. WELLINGTON KOO, SUN FO, and experts who, anonymously or under their own name, write with the greatest authority on their respective subjects.

THE PEOPLE'S TRIBUNE is therefore indispensable to all who are interested in the political, social, and economic development of national-revolutionary China.

Single Numbers: 20 cents — Twelve Numbers: Mex $2.00 (Abroad G. $1.50)

CHINA UNITED PRESS

72 Szechuan Road, Shanghai
Telephone: 18447 — Cablegrams: Cupress

Read and Subscribe

The China Voice

A Fortnightly Journal of Opinion.

Subscription Rates including postages as follows:—

Country	3 Months	6 Months	One Year.
China	$2.00	$4.00	$7.00
Foreign	G. $1.50	G. $3.00	G. $5.00

Write To

The China Voice

23 Yuen Ming Yuen Road
SHANGHAI.

NOW AND AT ONCE!

中華郵政特准掛號認爲新聞紙類

Registered at the Chinese Post Office as a newspaper for transmission with special marks privileges in China.

THE DOLLAR STEAMSHIP LINES

ANNOUNCE

SPECIAL CHRISTMAS EXCURSION

TO MANILA AND RETURN

S.S. PRESIDENT COOLIDGE

£22.0.0

Leave	SHANGHAI - - - - -	Dec. 24th
Arrive	HONGKONG - - - -	Dec. 26th
Leave	HONGKONG - - - -	Dec. 27th.
Arrive	MANILA - - - - - -	Dec. 29th
Leave	MANILA - - - - - -	Dec. 31st
Arrive	HONGKONG - - - -	Jan. 2nd
Leave	HONGKONG - - - -	Jan. 4th
Arrive	SHANGHAI - - - - -	Jan. 6th

Celebrate Christmas Eve and New Year's Eve at Sea on the palatial new Dollar Liner, s.s. "PRESIDENT COOLIDGE."

Superb Homeside Orchestra---Radio Broadcast---Christmas Trees and Everything.---Whoopee Parties on both nights.

Arrive back in Shanghai ready to face the New Year and it all costs you less than staying at home.

Make the "President Coolidge" your home for the entire voyage.

Make Your Reservations Early!

3 CANTON ROAD PHONE 15309

密勒氏評論報

The China Weekly REVIEW

Formerly Millard's Review

中華郵政特准掛號立券之報紙

Registered at the Chinese Post Office as a Newspaper for transmission with special marks privileges in China.

Volume 62 | Shanghai, China, Saturday, November 26, 1932 | Number 13

THE CHINA WEEKLY REVIEW

Formerly Millard's Review

Cable Address "REVIEWING SHANGHAI"

PUBLISHED AT NO. 38 AVENUE EDWARD VII, SHANGHAI, CHINA, BY MILLARD PUBLISHING COMPANY, INCORPORATED BY THE LAWS OF THE STATE OF DELAWARE, UNITED STATES OF AMERICA.

J. B. POWELL, Editor and Publisher; GEO. W. MISSEMER Asst. Editor; HOH CHIH-HSIANG, Asst. Editor; TRYPHON KU, Advertising Dept.; F. K. CHAO, Business Dept.

CONTRIBUTING EDITORS

C. Y. W. MENG — DANIEL J. LEE
S. C. YANG (Harbin) — CHANG YA-CHUEN
MARK M. LU (Honan) — FLORENCE WONG (London)

YEARLY SUBSCRIPTION, FIFTY-TWO ISSUES, TWELVE DOLLARS (CHINESE CURRENCY) IN ADVANCE, POSTAGE INCLUDED IN CHINA AND JAPAN. IN THE UNITED STATES AND FOREIGN COUNTRIES EIGHT DOLLARS U. S. CURRENCY. REMITTANCE FROM OTHER COUNTRIES THAN CHINA AND THE U. S. CAN BE MADE BY INTERNATIONAL MONEY ORDER. ENTERED AS SECOND-CLASS MATTER IN THE CHINESE POST OFFICE AT SHANGHAI IN MAY 1917.

Contents

Editorial Paragraphs

Lord Charles Beresford on the "Break-Up of China" 547
Another Chinese Protest About Japanese News 548
Loan, Bonds, Boxer Indemnity and Shanghai District Court 549
If America Should Go Off the Gold Standard 550
Is Japanese Empire More "Stable" than Chinese Republic? 551
American Sentiment Favors Collection of European War Debts 552
Japan's Difficult Problem of Balancing the Budget.. 553
China Demands Justice at Geneva—Japan Recommends International Control..... 555

Special Articles

Russo-Japanese Non-Aggression Pact Viewed Through Japanese Eyes 560
Matsuoka Defends Japan Before the World..... 563
Japan Defies the World..... 564
State Ownership of China Merchants S. N. Co..... .....By Paul K. Whang 569
Tls. 700,000 Bribe Alleged in China Merchants Deal.. 570
Is the National Crisis Over?.....By C. Y. W. Meng 572
A Few Thoughts on the China Merchants Affair..... .....By Geo. W. Missemer 575
Men and Events 588
Who's Who in China 589
New Books of Interest in the Far East 590

CONTENTS OF PREVIOUS ISSUES OF THE CHINA WEEKLY REVIEW MAY BE FOUND IN THE "INTERNATIONAL INDEX TO PERIODICALS" COPIES OF WHICH ARE ON FILE IN MOST STANDARD LIBRARIES.

COMMUNICATIONS PERTAINING TO SUBSCRIPTIONS OR ADVERTISING IN CHINA OR ABROAD SHOULD BE ADDRESSED TO THE CHINA WEEKLY REVIEW AT 38 AVENUE EDWARD VII, SHANGHAI, CHINA, TELEPHONE 14741. CABLE ADDRESS "REVIEWING SHANGHAI."

WASHINGTON OFFICE
J. J. Underwood—Correspondent
Colorado Building, Washington, D. C.

LORD CHARLES BERESFORD ON THE "BREAK-UP OF CHINA"*

"THE break-up of a nation of four hundred millions is an event that has no parallel in history. When I undertook the Mission confided to me....I frankly admit that I did not fully grasp the dimensions of a problem, the solving of which is only possible by clear thought and decisive action....qualities that have been conspicuously absent from our dealings with China during the late difficulties in the Far East. Although my Report deals mainly with trading and commercial questions, it cannot exclude considerations of high policy, and I am compelled to travel outside the limits originally defined for the scope of my mission. In framing my Report it is impossible to ignore conditions inseparable from the Commercial Question—viz., matters relating to international, racial and political complications. The British and American public have been quite bewildered by the controversy which has raged during the last year over the relative merits of the 'Open Door' and the 'Sphere of Influence.' Investigations on the spot have convinced me that the maintenance of China is essential to the honor as well as the interests of the Anglo-Saxon race, and I hope when the British and American people are acquainted with the facts as a whole they will be similarly convinced."

So wrote Lord Charles Beresford in his remarkable book entitled, "The Break-Up of China." Continuing, he declared, "The Diplomatic and Commercial prestige of Great Britain has been affected by the events in North China, but only in a slight degree when compared with the loss of good name involved in forcing concessions from China when she is prostrated by involuntary surrenders to Powers stronger than herself. Hitherto our policy has been to befriend weaker nations. It cannot be said that this policy has lately been followed in the Far East. We have taken advantage of the impotence and distress of the authorities and people of China to advance our own interests, and consequently China has become suspicious of Great Britain; this is not only natural but inevitable. Our proceedings are certain to encompass the doom of

*The Break-up of China, with an Account of its Present Commerce, Currency, Waterways, Armies, Railways, Politics, and Future Prospects, by Lord Charles Beresford, including Maps; Harper and Brothers, London and New York, 1899.

China, and equally certain to produce international strife. Mastery in Asia under a system of 'Spheres of Influence' will not be determined by effusions of ink. A straightforward recognition of the principles of freedom, fair dealing, and equality of opportunity which have made our position in the world, coupled with resolution and vigor in carrying these principles out, will not only preserve the integrity of the Chinese Empire, but will conduce more largely to our interests, than the present plan of taking what does not belong to us because other Powers are doing the same. Unless a definite settlement of the problem in the Far East is not thought out and brought into effect, war is certain, and the whole civilized world may be compelled to share in the conflict...."

This report by an outstanding Englishman of his time, though written a third of a century ago (1899) is still of interest—yes, timely interest because Great Britain (and America) are again confronted with a crisis in the Far East which in many respects is comparable to the situation which existed in 1899 when the break-up of China was discussed in world capitals as a catastrophe of pressing imminence. At that time it was not Japan which was the menace, but Imperial Germany which was searching for an opportunity to establish her position in Asia. But Germany was not alone. France had staked out her "sphere" in the South, Britain in the Yangtsze Valley, Germany in Shantung, Japan in South Manchuria and Czarist Russia in North Manchuria. It appeared that China was going the way of Africa and was on the point of being divided up among the Powers. The United States had just come into possession of the Philippines as a result of the war with Spain, and Spain despairing of her ability to protect the remainder of her island kingdom in the Pacific had sold her equatorial islands to Germany. America, not being in a position to participate in the game of grab on the Asiatic Continent had proposed the so-called Hay Doctrine of the "Open Door," which immediately became a subject of acute controversy somewhat as the recent Stimson Policy of Non-Recognition, has become. Throughout the Far East and the world generally the chief subject of debate was concerned with the relative merits of the Open Door of Equal Opportunity and the policy of Spheres of Influence. In a sense the situation was comparable to that which exists at present for if the Japanese forceful acquisition of Manchuria is permitted to stand, it immediately has the effect of nullifying all international commitments with respect to the territorial integrity of the Chinese Republic and the natural consequence of that is the break-up of China, such as was discussed in world capitals a third of a century ago. As a matter of fact the chief point of contention emphasized in the Japanese reply to the Lytton Report which appears elsewhere in this issue of *The Review*. is that China has ceased to exist as an organized state in the ordinarily accepted meaning of the term, hence Japanese action in Manchuria is justified by the actualities of the existing situation in China.

In order to meet this situation which existed prior to 1900, the Associated Chambers of Commerce of Great Britain sent a commission to the Far East which was headed by Admiral Lord Charles Beresford. Space is not available for a complete review of this important book, but briefly Lord Beresford and his associates visited all of the chief China ports and conferred with both foreigners and Chinese, following which the Commission visited Japan and then returned to England by way of the United States. The opinion of the Commission as summarized by Lord Beresford appears in the brief paragraphs quoted in the foregoing. In the concluding paragraphs of the Report appears the declaration, "There is only one remedy, which is to maintain the integrity of the Chinese Empore, and give security to the trade of all nations." Finally there was the recommendation that "four great trading nations" enter actively into a campaign for the complete reform of Chinese police and military as well as fiscal administration. It is of interest that Japan now has recommended to the League that in her opinion the only solution of the China Problem is for Japan to maintain her present position in Manchuria, while at the same time cooperating with the other Powers in the international control of China. We recommend a careful perusal of Lord Beresford's book to those who would form a correct understanding of the present crisis in the Far East.

ANOTHER CHINESE PROTEST ABOUT JAPANESE NEWS

THE Chinese Foreign Office at Nanking has sent another protest to the Japanese Government regarding the character of news dispatches pertaining to Chinese politics which are being distributed in China and elsewhere over the world by the official Japanese *Rengo* news service. On the previous occasion the Chinese Government went to the extent of withdrawing telegraphic facilities from the Japanese news service and the right to send and receive telegrams only was restored upon Japan's promise to correct the situation. But the promise has been broken for we read in the Chinese *Kuomin* reports from Nanking on Nov. 17 that another protest has been made, the offending item in this instance being as follows,

> "Peiping, No. 5 *(Rengo)*—The fact that Marshal Chang Hsueh-liang has recently addressed a letter, through Foreign Minister Lo Wen-kan of the Nanking Government, to General Feng Yu-hsiang demanding his explanation about the reported independence and restoration movements in North China is believed to prove the real existence of such movements and the Young Marshal's deep concern over the matter.
>
> "Well-informed political observers believe that the establishment of an alliance between the Anfu and former Chihli factions and such military leaders as Generals Yen Hsi-shan, Han Pu-chu and Sun Tien-yuan is now a fact beyond all doubts. It is understood that all these leaders have come to an agreement to break off their relations with the Government under General Chiang Kai-shek's influence and to oust Marshal Chang Hsueh-liang from the North in order to establish a new administration in conformity with the people's aspirations."

The *Kuomin* dispatch from Nanking referring to the foregoing, recalled the previous incident and explained that the previous ban only had been removed following an apology and the transfer of the offending *Rengo* correspondent from Nanking. While much of *Rengo*'s reporting

or mis-reporting of Chinese political developments may be put down as the slipshod or slovenly work of inexperienced newspapermen, one can't help having the feeling that some of it is intimately connected with high Tokyo military policy designed for the purpose of keeping Chinese politics in turmoil. For example a few weeks ago *Rengo* issued a dispatch from Peiping alleging Marshal Chang Hsueh-liang had been poisoned and was not expected to live. This dispatch was picked up in both Tokyo and Shanghai and wired to newspapers in both America and Europe and since no later newspaper correction ever catches up with the original item, it is possible that thousands of persons over the world still think the Young Marshal has gone to the happy hunting ground. It is no secret that the Japanese military crowd does not like Marshal Chang Hsueh-liang and nothing would give them greater joy than to have him stump his toe, but this obviously is no excuse for circulating a false news report over the world alleging his violent demise. The fact that the Japanese *Rengo* service receives an annual subsidy from the Japanese Foreign and War offices amounting to about a half million yen annually naturally brings the Japanese Government into the picture and lends suspicion to the belief that the Japanese Government occasionally uses *Rengo* for propagating reports intimately connected with Japanese military policy in China.

The circulation of these reports in China and over the world generally naturally causes China serious embarassment and occasionally may have the effect of inciting rebellions and causing serious political complications. An example of this was provided in the latter part of October when a report issued from one of the Japanese official organs in Shanghai was telegraphed to New York and appeared in *The New York Times*. This report started out by saying that "developments of the profoundest international significance are expected at the meeting here (in Shanghai) of the majority of the leaders of the Nanking Government, including those carrying veto powers from Gen. Chiang Kai-shek ....Gen. Chiang remains in political aloofness at Hankow on the pretext that his presence there is demanded by the anti-Communist campaign.. ..At the same time a formidable gathering of political and military leaders opposed to Gen. Chang Hsueh-liang's continued alliance with Gen. Chiang is taking place at Peiping with the obvious acquiescence of the authorities here...." The dispatch then stated that while Wang Ching-wei, former head of the Executive Yuan, had departed for Europe announcedly for medical treatment...."it is confidently expected he will leave the steamer at Hongkong or Singapore on the additional grounds that he is too ill to travel further, though in reality his aim would be to be near by in case of a political overturn giving advantage to his faction....There is growing evidence that constituted government in China is becoming more and more inclined to direct parleys with Japan over all the disputed issues, but it is evident Nanking has overplayed its hand, thus arousing popular anti-Japanese fury, and now does not dare approve a diplomatic settlement of the Manchurian or other popular issues lest mob sentiment overturn any government seeming to acquiesce in any Japanese proposal." The dispatch then conclused with a reference to the military situation in Shantung and suggested that Gen. Han Fu-chu's victory would make possible the seizure of north China by the elements hostile to Gen. Chiang Kai-shek, the said elements including Feng Yu-hsiang, Yen Hsi-shan and other formidable supporters of the 1930 rebellion. Without knowing the exact details it is not possible to state definite facts, but the circumstantial evidence based on a perusal of the *New York Times'* dispatch and the Japanese reports, lends credence to the suspicion that the report in the New York paper was based on propaganda issued from Japanese sources in Shanghai. It is the circulation of reports such as these through the official Japanese news service that has been responsible for various attempts on the part of the Chinese Government to establish a censorship over all news, and which in turn has been responsible for vicious attacks on the Chinese authorities by newspaper editors abroad who were not informed of all the facts. Any attempt by a foreign correspondent to follow such tactics in Japan would result in immediate deportation of the offending newspaperman, but yet the Japanese follow these tactics regularly in China and usually get away with it.

LOAN, BONDS, BOXER INDEMNITY AND SHANGHAI DISTRICT COURT

THAT the British and Chinese in Shanghai and in China generally are working in close cooperation with each other has been made evident by various recent incidents, all more or less related. Here in Shanghai the conclusion of an underwriting agreement between a British firm of brokers, Benjamin & Potts, working in cooperation with the Hongkong & Shanghai Bank, with the Municipality of Greater Shanghai for the flotation of bonds in the sum of six million dollars, duly authorized by the National Government, is a matter of outstanding importance, and this for a number of reasons. The Hongkong & Shanghai Bank thus again enters the field of Chinese finance for the first time since the formation of the Republic. For the old Manchu Government the Hongkong & Shanghai Bank had handled transactions of really mammoth proportions and the fact that the premier British bank is helping to finance a National Government undertaking is the best angury for stability that the National Government could want. The Municipality will have to pay rather dearly for its money, something over ten and a half per cent but, as J. K. Choy, Commissioner of Finance, has pointed out, the arrangement that has been made is the best that could be expected, having in mind the market price of Chinese securities in general. The floating of this bond issue is significant in another respect—it is the first time that internal bonds in China have been underwritten by a foreign syndicate. This six million dollar transaction for the Municipality of Greater Shanghai is, by comparison, only a minor matter as compared with the sums that will be handled in connection with the British Boxer Indemnity refunds, but the handling of the British funds in that case also, most of which are being used for railway construction, is being carried out with the greatest cordiality between the

British and Chinese interests concerned. It was indeed a remarkable coincidence that the China Merchants fiasco and the successful Municipality negotiations should have occurred simultaneously. The essential difference between the two transactions was that the China Merchants deal was carried out in secret with the evident object of thwarting National Government wishes while the Municipality's negotiations with the British brokers and bank were carried on publicly and with the full approval of the government.

The reason for coupling the Shanghai District Court in the heading used over this discussion is that it is inevitable that the handling of these large sums of money, originally from British sources, cannot help but have an influence on the negotiations which are taking place concerning the future of the District Court in Shanghai. The present court agreement is about to expire and the Chinese would, naturally, for reasons of prestige if no other, like to see the Court brought entirely under Chinese control, but as it is, for all practical purposes already in that position, and as any change at this time would probably do more harm than good, the present indications are that the existing *status quo* will be maintained for some little time longer—the more so, as, according to recent discussions in the British Parliament, the announced policy of the British Government in handling the Shanghai District Court matter is to confer with the local British community, and as much as possible to meet local British wishes. In fact, the District Court matter does not at the moment seem, to be a burning issue, either from the Chinese or the British standpoint. The outside road issue seems also, for the moment, to be quiescent. The pouring of foreign money (or as it may turn out, Chinese money, under foreign auspices) into the district beyond the Foreign Settlement will do more to settle outstanding political issues than the almost interminable discussions of politicians.

IF AMERICA SHOULD GO OFF THE GOLD STANDARD

WHETHER or not the United States will eventually be forced off the gold standard, as predicted several days ago by an American economist living in Denver, Colorado, (news of which was brought of Shanghai by the *United Press*, which described him as "noted"), there can be no question that his statement will once more direct earnest attention to the matter of currency problems in the United States and in other countries also. The outstanding fact in connection with world currencies is that nearly all of them have broken down. The United States is one of the few countries whose currency has so far stood solid as a rock, but that has not prevented the country from experiencing the worst economic crisis that it has ever had to deal with, and the strange spectacle is presented of a country, which under normal conditions enjoys the highest standard of living in the world, having to feed millions of unemployed inhabitants as a matter of charity. Another point to be borne in mind in any discussion of a country's handling of currency problems is the extent to which those who owe money to others, as a result of obligations entered into in time past, shall be relieved of their debts. To go off the gold standard is frequently a step towards repudiation of debts. Two countries, namely Germany and Russia, went the whole way. By making the old currencies valueless they simply made it impossible for creditors to collect any of the money due them. In Germany, municipalities, states, banks, industrial enterprises, etc., paid off millions of indebtedness with depreciated marks that could be bought in the open market for a few cents of real money. In Russia creditors were naturally deprived of any right to collect debts just as property owners were deprived of their land. Russia broke definitely with the past. Other countries, France for example, "stabilized" its currency, that is, creditors were made to accept payment at the rate of twenty cents on the dollar. England, by going off the gold standard, has not gone so far. It has deprived creditors of only about one-third of their power to collect. Japan, following England's example, has relieved debtors to the extent of about sixty per cent, that is figured on a gold basis. But in Japan's case this has proved a boomerang, due to the huge commitments due to the United States. Whether or not the United States will eventually go off the gold standard will naturally depend on the state of business. Countries only go off the gold standard when they find their gold reserve getting too small. That was the case with England and Japan, and it will also be the deciding factor in the United States. So far, the gold reserve has held, but if there are to be successive years of budget deficits the time will inevitably be reached when the gold reserve will be depleted. One of the points to be decided by the United States in that event is whether the phrase "to be paid in gold dollars of present weight and fineness" used in most government bonds is to be taken literally or not.

Once more let it be said that through all these currency commotions throughout the world, China, with its clumsy old silver system, has experienced the fewest cataclysms and the fewest storms in prices. Whatever the reason, the fact stands out unmistakably that silver, since the outbreak of the European war, has proved itself a more stable indicator of world values than has gold. If one looks at a chart of world prices of such commodities as wheat, cotton, coffee, iron silk, and so on, the zigzags resemble streaks of lightning. A similar chart based on silver prices shows a comparatively level line. During and after the World War, when world prices went up, silver prices went up in about the same proportion. During the past three years the price of silver, compared with gold, has dropped about fifty per cent, but so, approximately, have prices of world commodities. Those that have not yet reached that level are bound to do so. The fact that such a stage has not been reached yet is that, unlike silver, the factors which determine the commodity prices are not felt so immediately.

Much has been heard about a double standard, that is silver and gold, for use in the United States and other countries. Here in China, in Shanghai particularly, although silver is the currency of the country, the trading community has in actual practice had such a double standard for many years. The commodities which are imported are usually based on a gold price and are paid for in silver by the eventual consumer. But

the merchants here in making their contracts have their choice of either currency. Some choose silver, some gold—and they have to take the risk either way, unless they save themselves from risk by making some bank carry it. It would be a perfectly feasible thing for a country, if it chose, to use both a silver dollar resting on its own basis side by side with a gold dollar, which wherever it is used, does rest on its own basis—unless, as is actually the case in most countries using the gold standard, they only pretend to do so. When a country such as America, fixes the relation between silver and gold for the coinage it simply means that it insists on taking the profit that is involved in following the system. There is in reality no reason why any country should fix the relation between silver and gold any more than it should fix it between wheat and cotton. And there would be nothing to prevent the United States, if it chose, to use both the silver dollar as the Chinese use it and the gold dollar side by side. Any American in America making a contract for the future would then have the privilege of taking his choice in the same as many a Shanghailander does. It is a gamble either way. No mortal can predict what conditions will be like even five years from now, let alone 20 or 30 years, which is the term of many a future loan contract. One thing is certain that even in the United States many a debtor would be better off today if he could pay his debts say in units of bushels of wheat rather than in units of gold dollars, and there is not the least doubt about it that such an arrangement would have been much fairer all around.

IS JAPANESE EMPIRE MORE "STABLE" THAN CHINESE REPUBLIC?

THE question of the relative stability of China and Japan has been raised as a result of statements of Chinese and Japanese delegates at Geneva. Matsuoka, chief Japanese delegate, has justified Japan's actions in Manchuria and at Shanghai on the grounds they were "defensive" measures taken to protect Japanese interests from Chinese disorder. Mr. Matsuoka even went further and declared that conditions in China are worse today than they were at the close of the Washington Conference in 1922, hence instead of criticising Japan for what has occurred in Manchuria in the past year, the nations of the world should unite on some plan for "stabilizing" China and giving her a strong central government. These statements naturally have aroused the ire of the Chinese delegates who have insisted that China, all things considered, actually is a more stable country and possesses a more orderly government than does Japan. Dr. Sao-ke Alfred Sze, former Chinese Minister to London and Washington, who headed the Chinese delegation at Geneva at the beginning of the Sino-Japanese dispute in the fall of 1931, declared in the course of a recent address in America that China has the better of the argument when it come to the matter of "stability" in the Far East. Said Dr. Sze, "The Japanese representatives speak of a well-organized state. I wonder whether a state like Japan, with the army and navy running amok and out of control of the government is an organized state. When her delegates come to the Council Table and give promises, one after another, apparently in sincerity and good faith, and when these promises are broken and violated the next day, does that represent a well-organized government? The Japanese gave solemn promises to the governments of two or three great Powers not to go to Chinchow, and in a few days they were there. Does that represent a well-organized state? The Chinese residents were massacred in Japan itself during the earthquake, and over two hundred innocent Chinese merchants were killed in Korea only in the past year or so in pogroms. Does that represent a well-organized state? On one hand the Japanese representatives say China has no organized government, that there is only anarchy and chaos, but on the other hand Japan insists upon negotiations with that same government.....The situation now existing in Japan is much more dangerous to neighboring countries and to the world at large due to the inability of the Japanese to control their own military forces, than is the governmental weakness and disorder exhibited within the Chinese state."

Quo Tai-chi, former vice-minister of Foreign Affairs at Nanking and now a member of the China delegation at Geneva, also made some pointed remarks on the same question, "Here we have the Japanese representatives trotting out the good old Nippon war horses of Japan's acting in Manchuria in self-defence and China being in a state of administrative anarchy. China has managed to proceed with the matter of civilian administration without recourse to assassination which is now almost a rule in Japanese political differences. The civilian government of China has at least as much control over military policy and operations of the government, as the government of Japan has been able to exercise during the last eighteen months.

T. V. Soong, Finance Minister, in the course of a recent statement dealing with the stability of the National Government from the standpoint of finance declared, "The proof of the pudding is the eating. China's foreign credit has risen steadily and now stands high in the list of nations. During the last twelve months in the London market, the Chinese Reorganization Loan of 1933 has risen from 61 to 73, the 1898 Loan from 82 to 96, and the 1908 Loan from 50 to 75½. Within China the domestic bonds in the last few months have also shown gratifying advances....In the field of government finance, through the success of the internal loans conversion scheme, the practice of strict economy, and recent improvement in tax administration, the Government has been able to dispense with the necessity of making loans during the past nine months, despite unprecedented difficulties such as the seizure of the Customs and Salt revenues by Japan in Manchuria." Mr. Soong might have gone further and explained that from the standpoint of governmental finance China is in a much healthier condition than Japan. China's bonds generally stand higher in the New York and London markets than do Japanese bonds, while from the standpoint of domestic finance, China obviously has an advantage over Japan for Japan is now faced with the problem of floating domestic bonds in excess of a billion yen in order to balance the budget. The Chinese Government has borrowed

no money for many months.

That the Chinese have the better of the argument when it comes to "stability" also is indicated in recent statements by observers abroad. Prof. Gilbert Murray, chairman of the League of Nations Union of Great Britain, in a recent article in the *Manchester Guardian* dealing with the Manchurian issue declared that Japan, "in dire economic distress, with its coinage depreciated, its budget gaping, its peasantry and town workers suffering from actual famine, and riddled with communism, its political discords already well up to assassination point, obviously cannot be expected to make a success of the Manchurian venture." Then if further comment is needed, it only is necessary to refer to the recent editorial advice offered by the *London Financial Times* to investors in England to immediately exchange their Japanese bonds for the issues of other nations having greater stability, including China. The editor of the London paper stated that the "almost unbearable strain of militarism would make it practically impossible for Japan to meet her interest payments abroad."

AMERICAN SENTIMENT FAVORS COLLECTION OF EUROPEAN WAR DEBTS

ONE of the important questions which the American people have before them at present is to decide, whether after having paid a large share of the cost of the last European War they shall also pay in advance for the next one. There is an insistent demand by European countries in general to be relieved of the war debts incurred as a result of the 1914-18 war. A moratorium for one year is at present in force. Some of the European nations which are most insistent in their request to be relieved of war debt payments are at the same time spending huge sums for increased armaments. These armaments are being provided for the ostensible object of establishing "security," but in reality their existence and extension inevitably tend towards creating a European war psychology, which will in the end lead to another European War. If under such conditions the United States agrees to forego the collection of war debts due from Europe, thereby putting additional burdens on the American people, it simply means that Americans will be taxed to provide the sinews of the next European War as they are being taxed to pay a large part of the expenses of the last one. The threat made by Representative Britton from Illinois Nov. 17 that if the ten principal European nations do not meet their debt payments to the United States by the middle of December he will introduce a resolution directing that steps should be taken to have these nations declared bankrupt, need not be taken too seriously, but his attitude reflects the general American sentiment that America should go very slowly in this matter of relieving European debtors of their obligations, if for no other reason that it would be a precedent for a large number of American debtors likewise to ask to be relieved of their obligations.

The general sentiment in the United States was reflected by a statement made by Mr. Rainey, Democratic leader in the House of Representatives, Nov. 17, who stated that any proposals for a further moratorium on the war debts of Europe to America would have difficulty in getting a single vote in the House. M. C. Reynolds, Chairman Designate of the Foreign Relations Committee of the House of Representatives, which must approve of any proposal concerning war debts, said that Congress would not approve of any further change in the present agreement. Another Democratic leader, Mr. McFadden, has made a strong statement against revision of the debts. He declared that President Hoover's moratorium had been defeated at the polls and he certainly could not expect to go ahead now and propose another moratorium. The present indications are that President Hoover will insist on the December payments being made before even considering any revision of the present funding terms.

Meanwhile the New York *Journal of Commerce* predicts confidently that no matter what other nations do Britain will pay her instalment on December 15 rather than default. The journal adds, however, that the United States will suffer as well as the debtor if she forces Britain to deplete her exchange reserve.

Among the proposed solutions of the debt problem is one offered by Professor Ivan Wright, of the department of economics of the University of Illinois, who proposes that instead of cancellation or repudiation, the United States should reinvest the principal and public securities in the debtor countries. This form of adjustment, he contends, would relieve the world's money market and permit debtor nations to accumulate gold, stabilize their currencies and permit them to engage in something approaching the normal trade with the United States.

President Hoover and President-elect Roosevert were scheduled to meet Nov. 22 to discuss the war debt problem and moratorium. Both are opposed to debt cancellation. Businessmen generally are insisting that some solution be found so as to avoid all uncertainties for the future. Rumors that Britain might default on the December payments forced the pound down to the record low level of 3.25 in New York on November 22.

In the meantime the jingoes in various countries are encouraging conditions that will bring about another war. A prominent example, but by no means the only one, was a speech made by Admiral Madden, in command of the British Grand Fleet during the Great War, made on the occasion of the reunion of the Royal Naval Volunteer Reserve. Referring to the parley at Geneva, he described it as "one of these infernal disarmament conference." "Everyone wants to reduce the British Navy," he said. "A great many countries would like to see us reduced, but the cause of war is policy and there are two countries in Europe with aggressive policies: one is Russia and the other is in North Europe and has announced its intention of re-arming. To disarm is to invite attack."

All these arguments in favor of arming as a means of keeping the peace sound very plausible. The only trouble with them is that they are not true. Every country in Europe was armed to the teeth when the European War broke out. It lasted way beyond all expectations; that is why there are so many debts to pay. And the main fact should not be lost sight of, namely that the country that was the best armed was the one that was in the end defeated.

Japan's Difficult Problem of Balancing the Budget

THE *Japan Times* of Nov. 15, in printing the latest developments in Japan concerning the financial situation of the country and the budget, headed the article with black letters half an inch high, reading, "Apprehension Over Budget Continues to Grow." Two days previously the same newspaper printed another long article on the subject headed in similar large type, reading, "Financiers in Tokyo Are Alarmed over Monetary Policy." Said newspaper would not be likely to exaggerate the situation as it is heavily subsidized by the Japanese Government. This semi-official newspaper said the consensus of opinion among leaders of the Seiyukai, the Minseito and the Kakumin Domei (Adachi's group) was that the unprecedented budget estimate of Yen 2,225,000,000 would, if passed in the Diet cause the disruption of Japan's financial and economic fabric. It is the view of these political leaders in Japan that the Government's plan, in the face of the huge deficits in the state finance, to float loans to make up for the shortage in the Yen 2,225,000,000 estimates rather than seeking to obtain the money from permanent sources of revenue, will only result in further forcing the yen exchange rate down. Extreme inflation of money values will follow and will cast a dark shadow on the economic fabric of the country, these observers predicts. Moreover, it is pointed out that it will be necessary for the Japanese government to pay Yen 85,000,000 in interest alone on the Yen 1,700,000,000 which it is hoped to raise by loans. This would mean that the Japanese government would have to issue loans even to pay the interest on the original loan. The sum of Yen 200,000,000 for emergency relief measures, which is included in the budget, is declared to be far too small, despite the fact that the Saito Cabinet promised, on taking office, to set aside a much larger budget for this purpose. This fact is drawing considerable fire from Seiyukai and Kokumin Domei circles. The Seiyukai, moreover, points to the fact that whereas a resolution passed in the last Diet stipulated that the emergency relief estimates are to be spent during the next two years, the Government, in its budget estimate, proposes to spend the Yen 200,000,000 over a period of three years. This party's leaders charge that, by so doing the Government not merely ignores the resolution passed in the Diet, but by not spending the appropriated sum during the next two years will also tremendously decrease the effectiveness of the relief measures. Those in need of relief need the money now, and not three years later, it is claimed.

Premier Saito, in a recent interview said that despite the fact that the budget estimates for next year are the largest in history, his cabinet would have to do everything in its power to get it through the Diet. Unless the budget is passed, the Premier said, he foresaw dire consequences for the nation. Finance Minister Takahashi is declared to be of the opinion that further retrenchments are necessary and possible, and that only through them can the financial and economic problems of the country be solved. The *Osaka Mainichi* in an editorial Nov. 15, headed "Wanted—Prudence" said it was generally apprehended that the Japanese Government would encounter untold difficulty in the formation of next year's budget consequent upon the Departments' request for additional appropriations mounting to the huge sum of Yen 1,400,000,000. If this amount were added to the estimated budget of Yen 1,500,000,000, the total State expenditure for next year would reach the unprecedented figure of Yen 2,900,000,000. It is evident, said this prominent Japanese newspaper that the country could not endure such a heavy disbursement, especially in the face of the business depression and hard times.

Japanese economists look upon the budget for the 1933-34 fiscal year, just approved by the Cabinet, as a tragic mistake, according to a recent financial article in the *Japan Advertiser*. It can mean nothing but heavy bond issues, inflation, a further sharp decline for the yen, rising prices and chaos, they believe. Japan is headed for more trouble than it ever imagined, the Japanese financiers assert, unless something is done to cut down the budget and to reduce the deficit by an even greater margin.

According to the Tokyo *Asahi Shimbun*, the Japan Economic Federation, of which Baron Seinosuke Goh is president, is greatly disappointed over the budget for the coming fiscal year. The standing committee is convinced that the total is too great and favors action by the federation to see if something cannot be done about the matter. Members of the Minseito, according to *Nippon Dempo*, also are worrying about the budget, especially about the determination of the Government to leave taxes as they are and to make good the deficit by issuing bonds. Such bonds, totaling more than Yen 1,000,000,000 during a single fiscal year, they believe, cannot but have harmful effects on the country. Some bonds, perhaps, will be sold on the open market and the balance will be assumed by the Bank of Japan but the Minseito members are certain that the general public cannot assume a sufficient amount to prevent marked inflation of currency, with the result that the yen will sink to even lower levels and the prices of commodities will rise. This criticism against the bond issue feature is not the only fault which the Minseito finds with the budget. It doesn't think that enough money is being spent for relief, declaring that the increases in rice and cocoon prices have by no mean alleviated the rural distress.

Dr. S. Washio, discussing Japan's finances in the *Japan Advertiser*, Nov. 15 deprecates the idea prevalent in Japan that any amount of bonds can be floated if they can be subscribed by the public. There is an idea that even if the total of government bonds should rise above Yen 10,000,000,000 the real burden can be halved by devaluating the yen by half. Such arguments, advanced by some leaders of the Seiyukai, Dr. Washio characterizes as silly. About this no other refutation is needed, he says, than to point to the fact that the yen exchange is already about G.$0.20, but the treasury deficit instead of being diminished goes on increasing. Unless the devaluation of the yen correspondingly increases the revenue of the state, (and no one expects such to be the case) the

burden of government loans will not be reduced at all, and if prices, incomes and everything else but debts could be doubled the desired reduction would be effected, but that would be not devaluation but confiscation, as Dr. Washio point out.

Through it all Minister of Finance Takahashi holds optimistic views regarding the issue of Government Bonds to cover the deficit of 900,000,000 yen in revenue made necessary by next year's abnormal budget. He says that whereas the inclusion of bonds among the sources of revenue should never be encouraged, the condition in Japan stands no comparison with the huge deficits in other countries. Moreover, as conditions in industry and foreign trade are far better than in most Western countries, the flotation of 900,000,000 yen or so of "Red Ink" loans, he says, should not be viewed with alarm; he advises the Japanese nation to co-operate in bringing about better times. Finance Minister Takahashi is a staunch advocate of a permanent national policy which will co-ordinate the diplomacy, national defence, finance, and domestic administrations, and which will not undergo a change each time a new Ministry is forced. He stresses the indispensability of such a national policy, pointing out that the desired work can only be accomplished by a National Government such as the present Ministry.

The *Japan Chronicle*, in an editorial entitled "The Financial Crisis," in its issue of Nov. said:

> Baron Wakatsuki, in expressing his alarm over the situation, did not offer any specific remedy. He was horrified at the idea of adding over a thousand million tc the national debt for an ordinary year, and he said that Japan, after four years of war profits and fourteen years of peace (except for Manchuria) was in a position comparable with that of France after four years of concentration of all her forces on war and the devastation of a large part of her territory by fighting. This is an astonishing pass to have come to. Japan's losses, it is true, are of much smaller magnitude than those of the United States, except that the United States has continued to accumulate gold, which, seemingly, is of no use whatever. But what remedy did the former Finance Minister offer? Only that everybody should make a great effort. There are about half a million unemployed who would be very glad of the opportunity to make an effort, but they cannot find one to make. And most of those who are employed make all the effort they can to make their work more remunerative. The manufacturers who have been enjoying a temporary fillip to trade are making their best possible effort. In fact, everybody who can do so is making an effort. Little comes of it. Many dare not make an effort.

Japanese banking circles are described as attaching much importance to the issue of national bonds for Yen 1,100,000,000 in the next fiscal year. There is still over Yen 610,000,000 to be issued within the current fiscal year, so that the total loan program means the stupendous sum of Yen 1,700,000,000 in two years. It is reported that the whole issue will be underwritten by the Bank of Japan. Assuming that about 30 per cent of the Yen 1,700,000,000 bond issue will circulate in the form of bank notes, the note issue will be brought up from Yen 1,000,000,000 to Yen 1,500,000,000. Its effect on commodity prices will be serious, it is pointed out.

The yearly interest payment will be Yen 55,000,000 for the Yen 1,100,000,000 bonds issue and Yen 85,000,000 for the Yen 1,700,000,000 issue. As already mentioned, this situation may necessitate the Government issuing bonds in order to make interest payments. Enhanced commodity prices will also render the expenditure estimated in the Budget insufficient, and in this direction too, State finance will mount at an accelerated speed.

For the moment the Tokyo newspapers are full of details of a possible split in the Cabinet because of a dispute between the Railway and Home Ministers regarding the budget. Some of the evening newspapers have been giving more prominence to this matter than to the deliberations at Geneva.

*
**

An important statement on Japanese finances, particularly as they affect Manchuria was made by Minister of Overseas Affairs Nagai in Tokyo Nov. 9, when a number of financial and business leaders called at his official residence. He said that due to a combination of unfavorable factors, such as over-population, inadequate supply of natural resources, extreme mechanisation of world industry, uneven distribution of specie or contraction of currency and tariff wars, the economic situation of the Island Empire had reached a bad state. It was therefore, he said, particularly important that methods of securing the economic regeneration of Japan itself should be studied, together with the ways and means of promoting the prosperity of Manchukua as a permanent friend of Japan. Since the outbreak of the Sino-Japanese conflict, the demand for goods in South China had, he said, been greatly narrowed, and and this, coupled with the consideration for the future of the trade between Japan and Manchukuo, make it all the more necessary to facilitate the exports of Japanese goods to Manchuria and Mongolia. Due to various unavoidable circumstances, however, Japan had been obliged to either create new duties or raise old duties on agricultural products, the special produce of Manchuria and Mongolia. Mainly due to the fall of the yen, Japan's exports to those territories show an increase at present, but the fact remained, he said, that the checking of the import of Manchurian and Mongolia agricultural products by high duties prevents to that extent the growth of the purchasing power of the farmers of that country. This, he said, is a serious matter from the point of view of Japan's trade with Manchukuo.

Added to all the other troubles of the Island Empire is the insistent cry of upwards of four million tenant farmers, who are in the direst straits. As pointed out by a Japanese writer, Nofu Uriya in the *Japan Advertiser* of Nov. 13, the tenants pay their rent in rice or other produce, a continuation of the feudal system. The recent slump in the value of all agricultural produce, made worse in some districts by poor crops, has crippled the ability of the tenants to meet their payments, and the landlords, taking advantage of the situation, have taken to exploiting their tenants by lending money at exorbitant interest. As soon as a tenant seems to be so deep in debt that it is no longer profitable to exploit him, the landlord tries to protect himself by compulsory collection, which all too often means wresting the land from him. For 3,852,000 tenant farmers, the land is their only source of

living. If it is wrested from them, they have no alternative but to starve, for industry has no room for them. In self-protection, the farmers often resort to violence. There has long been strife between the landlords and tenants. In the past it was over high rentals, but now it is over the wresting of land. The farmers demand a political solution of this question and relief from their high tax burdens. The farmers are groaning under a debt accumulation of Yen 7,000,000,000, but the Saito Cabinet has appropriate a sum of only Yen 37,500,000 which must be earned by the farmers through hard labor on public works. This means only Yen 9 for the average farmer to apply to his debt of about Yen 1,000. The Cabinet has also started a campaign to persuade the farmers that they must help themselves. The farmers are still dissatisfied, and by no means has the last been heard of their complaints. Behind this situation is the pressure of the capitalistic system on agriculture. Japanese farming is not capitalistic. With the exception of silk, the produce of the farms consist of food-stuffs, such as rice, barley and wheat, to feed the laboring classes in the towns. Though capitalism has made great strides in Japan, it has failed to absorb the farmers, and the result is social conflict. The farmers feel that they are being exploited by the capitalistic elements in the country and are not awarded due consideration in the assistance of the State in the struggle for existence. Leaders have been lacking to organize the discontent, but they are now appearing. Unless present signs are wrong, there will be a crisis in the not distant future.

A recent telegram from Nanking stated financial experts there have been closely watching the rapid decline of Japanese credit abroad as a result of the Japanese military aggressions in Manchuria and elsewhere in China. It is stated that according to reliable information, the Chase National Bank of New York city, which formerly allowed the Yokohama Specie Bank $15,000,000 unsecured credit, reduced in 1931 to $5,000,000, has now refused to make any advances without first-class American collateral. Japanese gold currency bonds are no longer accepted. Other American banks as well as banks in England and Holland are also reported to be pursuing a similar policy.

China Demands Justice at Geneva---Japan Recommends International Control

THE complete summary of Japan's official reply to the Lytton Commission's report on the Manchurian crisis appears elsewhere in this issue of *The Review*, hence a further summary is not needed in this connection. Y. Matsuoka, chief of the Japanese delegation, in his remarks at the opening of the League Council meeting, at 11:40 a.m. Monday morning, Nov. 21, reiterated the conclusions covered in the Japanese Government's official reply, which are to the general effect that while Japan is ready to adopt a conciliatory attitude, there can be no modification of Japan's stand on the Manchurian issue. As indicated in the comment of a London newspaper, the Japanese delegates will do their utmost to induce the League to permit the Manchukuo regime to succeed and will probably outline a liberal and tolerant regime as a plausible alternative to the recommendations covered in the Lytton Report. On the other hand, Japan will continue to propagate the doctrine that China is not an organized state in the generally accepted sense of the term; that conditions in China have retrograded steadily since the revolution in 1911 and particularly since the Washington Conference in 1922 hence the only solution is for Japan to be permitted to continue in armed control of Manchuria while at the same time cooperating with the other Powers in the international control of China proper. Specially, Japan will make much of the political and military turmoil which has occurred in China since the National revolution in 1917 and specifically will call attention to the communist menace existing in central China.

To refer again to the comment in the London newspaper (*News-Chronicle*, Nov. 21), "It remains for the League to decide whether it will resist these Japanese blandishments or stand fast? The trial opening today before the League of Nations, is to decide upon a supreme issue: whether in the modern world the rule of law or the rule of force shall prevail." Official reaction in the United States to the Japanese reply apparently coincided with the comment in the London newspaper referred to in the foregoing. Since the United States is not participating in the League's deliberations, officials of the State Department refrained making direct comment, but the words "untenable and weak" were used in the *United Press* report on Nov. 22 which described America's reactions. The report stated that officials of the State Department were particularly cold toward the Japanese position that the Nine-Power Treaty was irrelevant to the Manchurian controversy. While officials of the U. S. Government were willing to concede that certain aspects of unity are lacking in China and that there are also evidences of lack of stability, they contended that these facts were fully recognized by Japan and the other signatories of the Treaty at the Washington Conference. It was with a full knowledge of these conditions in China, that the signatories of the Treaty mutually agreed not to interfere. The New York *Herald-Tribune*, strong supporter of the Hoover Administration, declared that "Japan's case is desperate because her diplomats may not repudiate the action of her militarists who are bent on deluding the masses in Japan into a belief that the Occidental nations, led by the United States, are seeking to isolate, ruin and crush Japan." In conclusion the New York paper stated that time is an important element in the solution of the Manchurian issue, "because it is impossible for the Japanese people to permanently misinterpret the policy of the United States which is strictly limited to positive assertion of America's treaty rights in China, which policy was emphasized in the so-called Hoover-Stimson doctrine of non-participation in any scheme for the enforcement of peace by

either military or economic pressure."

But while the official American attitude coincided with liberal opinion in England, the British Tory press such as the *Daily Mail* undoubtedly voicing official or semi-official opinion, strongly supported Japan's stand and lambasted the "misguided idealists who have taken China's side." Another British newspaper, *The Morning Post*, touched on the really vital issue when it declared that "if the League fails to find a solution, it has to reckon with damage to both its prestige and to the prospects of the Disarmament Conference." The paper then speculated upon whether it would be possible for Japan to modify the Manchukuo regime sufficiently so as to satisfy both of these indispensable requirements." This is the vital issue at Geneva because if the League cannot find a solution for the Manchurian issue, the only other alternative is war at some indeterminate time in the future, hence the futility of further discussion pertaining to limitation of armament. China would do well to pay close attention to this point because in the event of Japan' refusal to make concessions on the Manchurian issue, strong pressure will be brought to bear on China to agree to Japan's control of Manchukuo, in order to prevent a complete break up of the disarmament conference which is of much more vital concern to Europe than is the Manchurian issue.

China's reply to Japan's declaration on the Lytton Report was made by Dr. V. K. Wellington Koo, in an address before the League Council on the afternoon of Nov. 21. Referring to Japan's complaints about disunity in China, Dr. Koo explained that Japan had persistently pursued a policy of preventing the unification of China, hence it was logical to raise the question whether Japan really wanted to see China united. Dr. Koo declared that there evidently was apprehension in Japan that a united China would be a blow to Japan's policy of expansion on the continent of Asia. Referring to the boycott situation, Dr. Koo explained that this was the natural resultant of Japan's policy of expansion at the expense of China, hence the Chinese people in the absence of effective military resistance, had been compelled to adopt this means of self-defence. Said Dr. Koo, "No government could keep entirely aloof from such a spontaneous popular movement, which was a measure of self-defence which the central government of China could not fail to countenance." He then declared that the vigilance of the Government had prevented all but a few untoward events in connection with the anti-Japanese boycott, a fact which was confirmed in the Lytton Report. After reviewing the work of the Lytton Commission, Dr. Koo stated that the Chinese Government was prepared to take the report as a basis of discussion for a solution of the controversy, but any discussions between China and any other Power must be held on the basis of China's rights under the covenant of the League and the Kellogg Anti-War Pact. He stated that China reserved the right of claiming reparations from Japan for acts of aggression, and quoted extensively from documents showing that Japan's aspirations regarding China have in no way changed since the earliest days but was a crystalization of several centuries of teachings by Japanese warlords. Referring again to the boycott, Dr. Koo said that China had chosen this method as more humane than forceful measures. To deny China the use of the boycott, declared China's delegate, would be the denial of a legitimate and peaceful instrument of defense. In a final reference to Japanese military activities in Manchuria, Dr. Koo declared that it would have been unaccountable had it not been intended to supplant the Chinese administration with that of Japanese administration and while Japan had denied this, the facts were to be found in neutral evidence, particularly that supplied by foreign newspaper correspondents who were on the spot and hence familiar with what was going on. In conclusion he stated that since China was guaranteed against external aggression, she could not be asked nor expected, in consequence of such aggression, to renounce the rights she possessed prior to the aggression. Dr. Koo contended in closing that the solution of the Manchurian problem should be referred to the forthcoming extraordinary session of the League Assembly. The next meeting of the League Council, was scheduled for Wednesday afternoon, Nov. 23.

***

That the Chinese delegates at Geneva even do not entertain much hope of a successful outcome of the League's consideration of the Manchurian issue has been indicated in published statements of some of the delegates as well as prominent Chinese at home both in and out of the government. Marshal Feng Yu-hsiang is continuing his agitation for more effective armed resistance and according to recent report he has sent delegates to Canton in the hope of enlisting the assistance of the military and political leaders in the south. Wu Chih-hui, elder statesman and member of the Nanking Central Executive Committee, declared in an interview following a meeting of the Foreign Relations Committee at Nanking on Nov. 21 that the only effective way to recover China's lost territories was for every able bodied Chinese to take up arms against Japan. He expressed extreme doubt that the League would be able to curb Japanese militarism. Dr. W. W. Yen, China's chief delegate at the Geneva meeting in an interview with newspapermen on Nov. 21 declared, "We have come to Geneva to ask the League to give us peace and justice. Unhappily, there is good reason to believe that the Japanese militarists do not want peace but war, and that they regard the proceedings at Geneva, not as the means for a fair settlement, but as an opportunity to gain a further respite and a kind of negative international guarantee against outside interference while they proceed to a fresh and more ambitious stage in their undeclared war against China. However, we believe in keeping faith with the League, just as we believe that when the time comes, the members of the League will not hesitate to keep faith with us.. ..I feel sure the tactics of Japan to delay a settlement in order to enable her to aggravate the situation from a military viewpoint will not be permitted to prevail and at length the League would demonstrate to an admiring world that it stood for right and justice and had the courage to make decisions and see that the decisions were executed." In another interview (*Reuters*, Nov.

20) Dr. Yen hinted that complete dependence was not being placed on the League. "We have resisted Japanese militarism for a year. We are preparing to prolong and intensify our resistance and will, if necessary, embrace militarism in order to free our territory from the invader, but nevertheless we detest militarism, hate war and long for peace." With reference to the Lytton Report, Dr. Yen stated that while China did not agree wholly with all the points in the report, she did not consider it right for a party to the dispute to challenge the findings of a neutral commission composed of distinguished men who had been approved by both parties and especially when the truth was so evident.

⁂

That Japan is again playing the double diplomatic game to which the country's diplomats have been addicted for many years is indicated in the tenor of instructions which have been sent to Mr. Matsuoka and also in recent declarations of Gen. Araki, Minister of War and Akira Ariyoshi, Japanese Minister to China who is now in Tokyo. In an interview which appeared in the Tokyo newspapers on Nov. 12, Mr. Ariyoshi declared, "Japan's China policy remains the same as always. The Shidehara ("friendship") policy is as alive today as it has ever been, although it has had to be adapted to different conditions. Forms may change, but there has been no change in our desire for cooperation and mutual prosperity with China. Since my appointment, I have constantly advocated the dropping of unnecessary quarrels. I have talked with Chinese leaders and publicists and have won their support for this thesis. I hope the peoples of the two countries will in future be calmer." But on the same day that Mr. Ariyoshi uttered these remarks, War-Minister Araki was quoted as declaring, "Japan's observations at Geneva are not intended to refute the Lytton Report, but to supplement its deficiencies and remove the misunderstandings of the League Commission. The Manchurian problem has been settled so far as Japan and Manchukuo are concerned and for this reason Japan is determined to pursue her settled policy no matter what happens." The last minute instructions which were cabled to Mr. Matsuoka at Geneva also make interesting reading, the following version being reproduced from the *Japan Advertiser* for Nov. 16,

1. Mr. Matsuoka, who has been specially dispatched to Geneva, shall attend the session of the League Council for discussion of the Manchurian problem.

2. On the first day of the session, both the Chinese and Japanese delegates will make general declarations, but the Japanese delegate must see to it that his speech is not too long.

3. In this speech the delegate must stress Japan's sincerity in regard to the fundamental principles of the anti-war pact and the League Covenant, and her efforts for the promotion of international co-operation was world peace. He must also explain fully the chaotic condition in China, which has been affecting Japanese politics, foreign diplomacy and economic conditions. Finally he must point out that the firm and definite policy Japan has adopted toward Manchuria is the only way to peace.

4. Before the problem is transferred from the League Council to the general meeting, care must be taken to see that it receives full and proper consideration in the League Council, which reflects the views of the leading nations of the world. Triffing disputes must be avoided in the general meeting in which the small nations are influential.

5. The Japanese delegate should avoid criticism on each and every point considered wrong in the Lytton report, because such a course might lead Japan into collision with the League of Nations. However, he must point out the principal mistakes in the Lytton report and emphasize what is considered right and important in the report. He must also keep in close relation with leading nations, providing no concessions have to be made against the fundamental policy of Japan.

6. Whenever it is necessary, the delegate must express Japan's sincerity toward the League Covenant and the anti-war pact in order to dissipate the uneasiness of the small nations.

7. Hot debates between the Chinese and Japanese delegates probably will be unavoidable, but the Japanese delegate must keep a level head and a cool demeanor.

8. The Japanese delegate must avoid challenging the Chinese delegate or assuming an attitude which is embarrassing to China, but should exert efforts to make China realize the advisability of Sino-Japanese co-operation.

9. The Japanese delegate must also point out to the League the impossibility of finding an immediate solution to the Manchurian problem under the existing circumstances and stress the point that a solution to the problem can be found only in direct negotiations among China, Japan and Manchukuo.

⁂

There are still further indications that the military clique which dominates the Japanese Government has no intention of receding from its position irrespective of what action the League may take on the issue. The *Japan Chronicle* reported on Nov. 21 that the Tokyo Foreign Office already has drawn up an "Imperial Ordinance" providing for the formal appointment of Gen. Muto, commander-in-chief of the Japanese forces in Manchuria as "Ambassador" to Manchukuo. The report stated that Gen. Muto's formal appointment would be made shortly and that his headquarters staff at Changchun would be converted into an "Embassy staff." Of further interest in the same direction was a *Reuter* report from Tokyo on Nov. 16 stating that formal negotiations shortly would be started between Japan and Manchukuo for the conclusion of a commercial treaty, the draft of which was stated to have already been completed. The main features of the treaty will provide, (1) Japan to relinquish exterritoriality when the administrative system of Manchukuo is on a firm basis; (2) Reciprocity on tariff matters tending in the direction of economic cooperation (economic bloc); Scrupulous respect to be paid to the principles of the Open Door and Equality of Opportunity. The *Japan Times*, semi-official organ published in the English language in Tokyo, declared on Nov. 13,

"Take for instance the oft repeated statement that Japan could not make the Chinese buy Japanese goods against their will, or at the point of the bayonet. Perhaps not, but the Japanese bayonet at Shanghai cleared away organized anti-Japanese movements and permitted the Chinese to exercise their own good judgment, and such judgment always tends to buy where profits are in view. In this instance, Japan showed a far better knowledge of Chinese psychology than did Westerners.

"Likewise it has been held in Japan that further pursuance of the Shidehara policy of conciliation which favored much of the American attitude of benevolence and altruism was not only getting Japan

nowhere, but was founded on a wrong conception of the workings of the Chinese mind. And in proof of this fact, those powers including Japan who followed an altruistic policy towards China have only been made to look foolish—the victims of an increasing anti-foreignism. Generosity and altruism ininstead of firmness have not only worked disastrously for the Powers themselves but also has had a very bad effect on the welfare of China herself. To those who lack firmness and discipline, a coddling attitude is sometimes far from a kind one while the rod and stern measures bring such recalcitrants to their senses and lay the foundations of friendship and mutual respect between the parties involved."

***

Of outstanding interest, aside from what is now going on in Geneva, is the matter of the relations of Japan and Soviet Russia. Despite the recent announcements from Tokyo and also interviews with Mr. Matsuoka that Japan and Russia were on the point of adjusting their differences, recent reports from Moscow do not convey a similar optimism. For example Mr. Matsuoka in an interview in Paris expressed the opinion that Japan, Russia and Manchukuo shortly would enter into non-aggression pacts. However, a report by the official Soviet *Tass* news agency on Nov. 19, indicated that there is little foundation for these reports. Quoting an editorial from *The Izvestia*, official government organ, it was declared that the Soviet Government could not consider the negotiation of a non-aggression pact with Manchukuo unless the Japanese Government was agreeable to the signing of a similar pact with Russia at the same time. Alleging that the Japanese Government was not acting in good faith, *The Izvestia* declared, "It is known that Manchukuo recently concluded a military agreement with Japan under which the entire defense of Manchuria has passed into hands of the Japanese Army, which, on the basis of this agreement, remains and intends to remain in Manchuria. Manchuria is thus a country whose protection as a state is performed and will continue to be performed on a treaty basis by the forces of another state, namely Japan." Considered on this basis, Manchukuo cannot be regarded in the light of an independent agent, hence "it is impossible under these conditions to speak of the conclusion of a non-aggression pact with Manchukuo in the absence of a pact with the party which has completely undertaken the state protection of Manchukuo." This statement by the official Soviet organ throws an entirely new light on the whole question of Manchukuo's relations with other countries, and clarifies an earlier statement from Moscow alleging that the announced version of the Japan-Manchukuo protocol did not tell the whole story of Japan's relations with her Manchurian "puppet." So long as Japan assumes full responsibility for the military protection of Manchukuo, no nation can consider seriously the matter of making any treaty, trade or otherwise, with that country, for the simple reason that Manchukuo is not a free agent capable of negotiating treaties. The presence of the Imperial Japanese Army in Manchukuo makes that territory a dependency of Japan in fact, if not in name, hence no foreign government ever will consider seriously the matter of entering into treaty relationship with Manchukuo so long as that situation remains in existence. The Russians therefore should be given credit for bringing this important point out into the open. That Japan herself has no intention of entering into a non-aggression treaty with Russia was indicated in a report which appeared in the *Jiji* on Nov. 16 to the effect that following important conferences by Count Uchida, Foreign Minister, and other Japanese officials, including Gen. Araki, the opinion was expressed that Japan would not negotiate such a treaty with Russia at the present time.

***

Highly conflicting are the forecasts as to what the League is likely to do on the Manchurian issue. Opinion ranges all the way from suggestions that the League may finally declare an economic boycott against Japan to forecasts that the statesmen now gathered at Geneva may finally be able to hit on a happy compromise that would be acceptable to both China and Japan. China apparently hasn't much confidence in the ability of the League Council to settle the issue, hence is basing her hopes on the action of the League Assembly which contains a representation of most of the smaller nations which are in a somewhat similar fix internationally to that of China. But Japan has no intention of permitting the issue to go to the Assembly. A *Rengo* message from Tokyo on Nov. 21 stated that "Japan and the smaller Powers are in opposite camps.... hence Japan holds that the discussions should be confined to the Council meeting where the larger Powers are in a predominant position." A further *Rengo* message stated that following a general discussion before the Council, the League "will not draw up a plan for an actual solution of the problem, but will adopt a resolution advising China and Japan to enter into direct negotiations within a period of six months following the close of the conference." Lord Lytton, Chairman of the League Commission which investigated the Manchuria muddle, in a radio broadcast declared, "The issue at stake is much larger than whether China or Japan will control Manchuria. It is whether the principle of collective responsibility for the maintenance of peace between nations shall be preserved or sacrified." With reference to Japan's recognition of Manchukuo and the conclusion of the Japan-Manchukuo protocol, Lord Lytton declared, "If an act in itself is unjustifiable, it cannot be justified by the mere fact of having been accomplished. The solution suggested by the Commission would ultimately be to Japan's advantage as the maintenance of the present regime in the face of Chinese hostility and disapproval of the rest of the world would prove immensely costly. Also, it would be to the advantage of China if she removed from the northeastern provinces the danger of ever-recurring conflicts." Wickham Steed, former editor of the *London Times*, in the course of an article, also referred to the intimate connection of the Manchurian discussions to the Disarmament Conference, declaring that the fate of the Disarmament Conference "depends on the firmness of the League in upholding the Lytton Report." A *Reuter* report from Geneva on Nov. 20 stated that a feeling prevailed in League circles, "that events are moving towards a crisis," while another report by the same agency from London declared, "the world is on a razor's edge." Most of the

newspaper reports referred to the Geneva discussions as a "battle," possibly in premonition of more serious events likely to follow a failure of the Geneva deliberators to reach a satisfactory solution.

The United States Government is maintaining an attitude of aloofness and discreet silence for two apparent reasons. The defeat of President Hoover in the recent national election has made it necessary for the State Department to remain in a status of quiescence pending the coming into office of President-elect Roosevelt and the appointment of a new Secretary of State. Another apparent reason for Washington's non-participation in the present Geneva deliberations is possibly due to Washington's desire to await developments. In the meantime, however, spokesmen of the Department of State continue to clarify the American attitude on certain disputed points. For example, the Government on Nov. 19 released for publication the third volume of war records, containing heretofore unpublished documents pertaining to American-Russian relations during the period of the World War. One document disclosed the fact that the U. S. Government attempted to stabilize Russian currency by actually printing and shipping to Vladivostok a large quantity of notes for use of the provisional Russian Government. The papers also showed that the United States negotiated with China in an effort to obtain the removal of the embargo on the shipment of goods from Manchuria into Siberia. Also, the United States protested against Japan's action in placing the Siberian railways under military control during the period of the Siberian expedition. Furthermore it was shown that the United States, Great Britain and France in 1918 jointly protested against the Soviet repudiation of foreign obligations, pointing out that they considered the decrees of repudiation valueless and reserving the right to claim damages from Russia at some future date. A spokesman of the State Department also (*United Press* report) repudiated the recent statement from Japan that Japan's action in Manchuria was similar to Theodore Roosevelt's action in recognizing the independence of Panama. Officials declared that the cases were not similar, pointing out that the Nine-Power Treaty and Kellogg Anti-War Pact were negotiated since the Panama treaties and that America's Far Eastern policies are based on the Nine-Power Treaty and the Anti-War Pact. The report from Washington stated that Panama "was for years in rebellion against Colombia of which Panama was a part. On Nov. 3, 1903 Panama declared its independence and ten days later her independence was recognized by the United States and Panama signed a treaty giving the United States the right to build the canal upon payment of G.$25,000,000. This agreement was abrogated in 1924 and a new agreement was signed in 1926 under which the United States agreed not to engage in any business enterprises in the Canal Zone that would compete with business interests in the Republic of Panama. The Panama Republic then agreed that she would consider herself in a state of war in any conflict to which the United States found herself a party."

Chinese Press Comment on "Japan's Observations"

The *China Times*, Chinese daily newspaper in an editorial Nov. 22 stated that these so-called "Observations" constitute either a direct challenge to the League Covenant, the Anti-War Pact and the Nine-Power Treaty or a tacit admission on the part of Japan that she has violated these international treaties. The Chinese newspapers at Nanking Nov. 22 printed indignant refutations of the Japanese observations to the Lytton Report, branding them as "a masterpiece of slanderous calumnies against China which are belied by all the facts."

The *Central Daily News* declares that the observations instead of whitewashing Japanese actions merely intensify Japan's crimes by showing that country in the role of a hardened criminal.

"No clever juggling of words can palliate the fact that Japan has violated the League covenant, the Kellogg Pact and the Nine-Power Treaty and that Japanese militarism has dealt a severe blow to modern civilisation," says this paper.

U. S. State Department to Remain Silent

A Washington telegram November 22 stated that the State Department intends to maintain complete silence during the consideration of the Lytton Report by the League of Nations and to say nothing which might be construed as exerting pressure in favor of adoption of the conclusions contained in the Report.

French Paper Says League Will Follow Pontius Pilate's Example

"The role of Pontius Pilate seems indicated for the League regarding the Manchurian problem for, after hearing the two sides of the argument, there is apparently no reasonable procedure for concialiation, or even mediation," *Le Matin* (Paris daily newspaper) declared in an editorial article Nov. 22. This role, it adds, is all the more necessary since the Assembly itself is divided.

Europe Wants to Pass the Buck to U.S.A.

In view of the sharp controversy as to whether the Council of the League of Nations or the Assembly should deal with Manchuria, a *Reuter* telegram from London Nov. 22 stated that a new idea is finding favor in diplomatic circles, namely, to refer the issues involved to a special conference of the signatories of the Washington treaties of 1921, as contemplated in those instruments, and thus enable the United States to participate. The *Daily Telegraph*, Conservative London daily newspaper, expressed the opinion in an editorial Nov. 22 that Britain must not be drawn into commitments to support the Chinese claims in regard to Manchuria and to antagonise Japan to the point of leaving the League, for the prospects of the Disarmament Conference would thereby collapse and the result as regards naval disarmament would be disastrous to Britain and the rest of the world.

Japanese Start Enveloping Movement

The Japanese Army authorities have selected the moment when the League is discussing the Manchurian question to make a supreme effort to "chean up" Heilungkiang by means of what are called "nut cracker" maneuvers. The Japanese have launched five expeditions upon the Chinese positions, the main one starting from Hailun. The Japanese troops are suffering severely from the rigors of the northern climate, and although they have been able to make some advance they have only been successful at enormous sacrifices. Recent telegrams speak of the frozen battlefield being strewn with the dead and wounded of both sides. The five columns were despatched against a half-circle of Volunteers whose centre of concentration was Paichuan, north-west of Harbin. The five expeditions, from various points of the compass, if successful, were expected to clean up a large area of Heilungkiang. A Japanese column from Sachaotsa is reported to have advanced to a point within three miles of Paichuan, were 25,000 Volunteers were reported to be concentrated. In various places the Japanese advance is hampered by muddy country. North of Paichuan, it is reported that the Volunteers are fighting strenuously to smash a path through the advancing Japanese cordon.

Fighting is also going on near Ninguta, 1,000 Volunteers having ousted the small Japanese garrison from Ninguta.

(*Continued on page 592*)

Russo-Japanese Non-Aggression Pact Viewed Through Japanese Eyes

(From the Review's Tokyo Correspondent)

(Translations from Various Japanese Publications)

Non-Aggression, a Timely Proposal

Tokyo Asahi, Nov. 1: The proposed non-aggression pact seems to suggest many complicated factors for preliminary considerations but, viewed as a whole, there is not the slightest necessity, in our humble opinion, on the part of this country to refuse the proposal.

Some people appear to take exception to the pact, on the ground that both Soviet and Japan, being signatories to the Non-War Pact of 1928, repetition would be worse than useless. But, there can be nothing wrong in concluding two pacts that are consistent with each other. Indeed, its conclusion would contribute a great deal towards the removal of useless suspicions and misunderstandings, if any, between the two countries, especially in view of the future development of the new Manchukuo regime. Thus we have reason to advise the Japanese authorities to honor the present Soviet overtures with all respect and gratification.

Another phase of the question is the advisability of extending the spirit of friendship that underlies the proposed pact to all pending Russo-Japanese and Russo-Manchukuo problems such as fisheries and recognition of Manchukuo.

All Depends on Sincerity

Osaka Asahi, Oct. 27: The proposed non-aggression pact which when materialized would bring about a basic change in the Powers' Far Eastern diplomacy, having important bearing upon our national defence, is regarded in our military circles with grave concern. War Minister Araki stated on October 25 concerning the question roughly as follows. "I know that the conclusion of a non-aggression pact is desired by the Soviet Ambassador to Japan, but I do not know what progress it has made. In addition to the existing Non-war Pact and Nine-Power Treaty the conclusion of a similar agreement between Soviet and Japan in the Far East seems unnecessary, but if Soviet Russia goes at it with sincerity we see no need of giving a flat refusal. All depends upon sincerity on the part of Soviet Russia. As to the Manchuli incident Soviet Russia could have done something more if she would, though I do not hesitate to recognize her good-will. Such being the case, we cannot be persuaded to accede to her proposal until we make further study of her attitude."

Soviet Proposal Calls for Deliberation

Yorodzu Choho, Nov. 4: "The repeated proposal by Soviet Russia in connection with the pact has been spreading unfavorable sentiment among the Seiyukai Party for reasons as follows: In view of the existing League atmosphere which threatens to cause Japan to be isolated, to form an alliance among Manchukuo, Soviet and Japan, or to conclude a Soviet-Japanese non-aggression pact, would seem advisable, but we must remember that everything has two sides.

An armed conflict may be checked by arms and treaty, but the aggression of thought can never be prevented by arms or treaty. We are afraid that in consequence of the non-aggression pact to be realized between the two countries, whose dominating thoughts are diametrically opposed, unlooked for social troubles might happen. This apprehension may be rendered gloomier if we take into consideration the recent social troubles in our country. With the utmost prudence therefore we have to deal with the question."

Conclusion of Non-Aggression Pact Probable

Osaka Mainichi, Nov. 2: Hsieh Chieh-shih, Manchukuo's Envoy to Japan, on his return to Hsinking spoke to the *Osaka Mainichi* at Moji (Japan): "The relation between Japan and Manchukuo has become so intimate that it defies conjugal relationship. As for the much-talked-about non-aggression pact with Soviet I am not, as Manchukuo's Envoy, in a position to dwell upon the question, but as in the light of the contents of the protocol we are bound to collaborate with Japan in matters concerning our national defence, we are to cooperate with Japan also in the field of diplomacy. For the need of preserving peace in the Orient there is a possibility of the Soviet proposal being materialized pending disclosure of sincerity on the part of the proposer."

Powers Will Come to their Senses if Non-Aggression Pact Is Concluded

Tokyo Asahi, Nov. 1: Mr. Adachi, president of the Kokumin Domei (political party), stated at yesterday's general meeting of the party the following: "The most essential for peace establishment in the Far East is our friendly relation with Soviet Russia. It goes without saying that since the Manchurian Incident between the Powers and our country there have been going on great controversies due to lack of recognition on the part of the former. In order therefore to wipe out the existing misunderstanding of the Powers we cannot overestimate the need of promoting friendship with our neigboring countries. If Soviet Russia, fully understanding where lies the real motive of our Far Eastern policy, proceeds to recognize Manchukuo while taking necessary measures to solve the fishery and C. E. R, problems once and for all and then to conclude the non-aggression pact, we will take up the matter seriously not as a local or abstract question but as Japan's policy for world peace. Judging from the delicate relations between Soviet Russia and Britain, America, India and countries on the European Continent, her concluding of a non-aggression agreement with France and Japan would prove restoration of her international dignity. As for Japan we believe it quite conducive to our world policy that by clearing away all the suspicions and misapprehension lying between Manchukuo and Soviet Russia, and with the consent of these two neighbors, we construct the foundation for the realization of the so-called Japanese Monroe Doctrine, In the event of the completion of the non-aggression pact between Japan and Soviet Russia upon the latter's recognition of Manchukuo, the ill-informed Powers would open their eyes before unalterable reality. No doubt, before recommending the Soviet proposal to our scrutiny we must make sure of her sincerity, which she may promise, so as to have effective control over communist demonstration."

No Need of Hurrying —Better Not Go Too Far

Tokyo Nichi Nichi, Nov. 2: Tomekichi Ohta, newly appointed Ambassador to Soviet Russia, who is expected to go to Moscow in December for his new post, on his return trip from Manchuria told the *Tokyo Nichi Nichi* in Osaka as follows: "It is a matter for gratification that of late the importance of Soviet-Japanese friendship has come to be widely recognized in our country, but in my opinion it might do more harm than good to go further than at present, for otherwise trouble might happen with the other countries. The best I can recommend is to maintain the *status quo*. It might do no harm to us that we accept the Soviet proposal, following the example of France, Poland and Germany, but it is not yet time. It is a question requiring our thorough-going study that, as was often reported in the press, whether we may sign the non-aggression pact in exchange for Soviet recognition of Manchukuo. Such being the case I am not sure whether my going to Moscow may serve to expedite the conclusion of the pact."

Complete Study on the Soviet Proposal of Non-Aggression Pact

(By Tadso Oyama—*Soviet-Jijo*, Published by S.M.R.)

We feel we are not mistaken in our idea that the country which will follow Japan in extending its recognition to Manchukuo is no other than Soviet Russia in view of the fact that being territorially contiguous to Manchukuo Soviet Russia finds herself intimately related with the new state politically as well as economically and that she has acted as if she has recognized Manchukuo.

Foreign Minister Count Uchida upon deciding on the Manchukuo recognition, sounded the Soviet intention, intimating that he trusted she would follow his example To this suggestive enquiry by the Foreign Minister Soviet Russia replied affirmatively and taking advantage of this opportunity made a fresh proposal for conclusion of the non-aggression pact.

It was toward the end of December that Foreign Minister Yoshizawa was approached at Moscow by Soviet Russia with the question of a non-aggression pact, and the motive for making such overtures lay apparently in the hope of safeguarding her interests in North Manchuria. But the Japanese Government took the attitude of ignoring

the overtures by keeping silence. Things in Manchuria, however, have since taken new direction resulting in the ndependence of Manchukuo supported by Japan, which, reassured Soviet Russia of the value of the pact and made her ready to catch hold of an early chance for its realization. The Foreign Minister's sounding her on the subject of Manchukuo recognition, as has been mentioned, afforded the chance.

The Government authorities of our country seem to be still inclined to see no neccessity of concluding such a pact; they consider it would be a repetition of the existing Non-War Pact and therefore useless especially when there is no possibilty of our threatening her vested rights in Manchuria and that if under the circumstances, they proceed to conclude such a pact with Soviet Russia they may be inviting unwarranted suspicions from other Powers. It seems in our diplomatic circle they hold that Soviet Russia would be mistaken should she really intend to make the overtures in exchange for her recognition of Manchukuo. This interpretation on the part of our diplomatic circle has come to recommend to the authorities the advisability not to make further exhortation to the Soviet Government in regard to her Manchukuo recognition. In this way the question of Soviet recognition of Manchukuo has come to a temporary deadlock.

For the healthy development of the new state nothing is more urgent than its neighboring countries recognizing her. And for this reason we regret the set-back in Soviet Russia's recognition of Manchukuo in consequence of our lukewarm attitude toward her overtures. Yet, this is comparatively an insignificant aspect of the affair when compared with the problem I state below.

I have repeatedly pointed out that the real motive of Soviet Russia in her attempt to conclude the pact with Japan lies in no other than her misgivings lest her interests in Manchuria should be impaired or her territory bordering Manchukuo should be encroached upon by Japan, and the renewed enthusiasm shown in her repeated proposal this time can be construed as the culmination of her apprehension concerning the ever-growing influence of Japan in Manchuria and Japan's apathetic attitude toward her first overtures.

I quite agree with those who maintain that the conclusion of such a pact might invite misunderstanding of the other Powers, but this apprehension will be greatly abated when we study the advantages accruing to us from the agreement: (1) It will serve to disperse the cloud of misgivings and promote friendship between the two nations (2) to expedite the Soviets' recognition of Manchukuo, (3) to reduce the oppression by the League and the United States. The last item is what concerns us most, because we can never ignore the attitude of Soviet Russia in the event of our relations with the League and America reaching the worst culmination. As for the United States she stands diametrically opposed to our Manchurian policy, and it is even rumored that her collision with Japan is only a question of time; likewise, in the case of the League, as evidenced by the 13 to 1 misfortune, we have been unable to ascertain its well-meaning attitude toward Japan. To add to this, the coming General Assembly of the League dealing with the Lytton report may bring about a head-on clash between Japan and the League, resulting in an economic blockade following Japan's withdrawal. This forecast of the League Assembly eloquently speaks for the advisability of befriending Soviet Russia by acceding to her proposal.

What we have to study next is whether there is between the two nations material and spirtual preparations which would guarantee the possibility of the conclusion of the pact provided the Japanese Government is inclined to accept the Soviet overtures. Seeing that the diplomatic crisis between Soviet and Japan once so widely discussed here and abroad, was traced to the tense attitude both on the part of Japanese and Soviet troops in North Manchuria or to groundless rumors circulated by those who aspire to see the conflict between the two countries; we need not hesistate to declare that everything between them is now in an ideal state to support the spirit of the pact. Indeed, the cloud hanging over the two countries has been gradually cleared up of late.

If, however, our League and American policy in relation to the Manchurian problem lies in conciliation and consequently, instead of stimulating the nerves of the other Powers, we have to stick to explaining the right attitude of our country thereby inducing them to extend their recognition to Manchukuo, the Japanese Government may have to refrain from accepting the Soviet overtures for the time being. If this the case we recommend the conclusion of a non-aggression pact between Soviet Russia and Manchukuo in order to prepare for the worst.

We trust the Government authorities will not hesitate to accept the proposal for the pact so that by means of the peaceful relations thus established among Manchukuo, Soviet Russia and Japan we may improve our international position which is by no means good.

Soviet-Japanese Relations of Today

(By Troianovsky, Soviet Ambassador to Tokyo—*Kaizo*)

1.—*Is a Soviet-Japanese war unavoidable.*—We very often hear and read of the inevitability of a Soviet-Japan-war. This is a groundless rumor of course, but we must investigate where such a rumor comes from.

A war is a means to solve vital clashes of political or economic interests between countries, and the world history abounds in examples of such. In those days when the Russo- Japanese War threatened to break out, Japan in accordance with her continental policy attempted to extend her influence to Chosen and Manchuria, while on the part of Russia her imperialism planned to take possession of ice-frce ports in the Far East. None of such conditions, however, now exists between the two countries.

Soviet Russia, unlike imperialistic Russia in days gone by, upholds pacifism, which deprives her of all territorial ambition. Naturally, she has no will or need for making expansion into Manchuria. All that she needs is the economic reconstruction of her own country and the gigantic enterprise of building up socialism.

As regards the economic side of Soviet Russia, her national economics, being fundamentally different from those of other countries, the blow dealt by the world economic crisis was quite insignificant as compared with other countries. Curious to say, the manufacturing industry has in the meantime made a great stride hitherto unknown in the country, and as a consequence there has not been a single person out of work since the end of 1930. The first and second Five Year Plans are also expected to make smooth progress. In the face of such stable national economic conditions, where is the need of her encroaching on the land of other countries? Between Soviet-Russia and Japan there are thus no seeds of discord politically as well as economically.

2.—*War Talk.*—Every thoughtful person recognizes that Soviet Russia is now actually carrying out pacifism; especially her non-interference policy to which she has lived up since the Manchurian Incident, is known throughout the world. Despite these indisputable facts, in the Far East wild opinions of an inevitable war between Soviet Russia and Japan have recently been making their appearance in many forms. Especially noteworthy is that prominent persons in Japanese political circles often dwell upon such a grave question. The Japanese publications give too much space to this sort of questions.

Viewed from the standpoint of the people of Soviet Russia such an unscrupulous attitude of the responsible politicians and representative journalists of Japan, is a matter of grave concern. Just think of an influential politician of Soviet Russia stressing topics such as "War against Nippon Inevitable" or "Taking up Arms against Japan," how would it react on the Japanese public opinion? No responsible politicians of countries in the world have hitherto made public their opinions that a war between Japan and a certain country is inevitable. That Secretary Stimson's suggestive pronouncement made but once created a surge of sensation throughout the Japanese press world must still be fresh in your memory. The very fact that the inevitability of a second Russo-Japanese War is advertised through every channel of the press by influential personages in Japanese political circles is unbearably irritating to Soviet public opinion, and apparently obstructs the healthful growth of friendly relations between the two countries.

3.—*Soviet Russia and Japan-American War.*—Stalin once remarked that the contradiction between America and Japan is the basic contradiction in the Pacific Ocean. This means that the possibility of the Japan-American war has not yet been removed, but at the same time this does not mean that it will break out in the near future. Even in the event of the realization of this war no change would be made in the Soviet standpoint of safeguarding pacifism.

4.—*Relations with the League.*—It is reported that Japan's relation with the League has become straitened of late. As for Soviet Russia, there is nothing common between herself and the League; she is a state perfectly free from the yoke of the League. Accordingly, Soviet Russia is free to carry out her own policy quite undisturbed by the attitude of the League.

5.—*Reasons for dispatching troops to Siberia.*—The Japanese jingoists, pointing out the Soviet reinforcement, exaggerate the motive. It is even reported that 300,000 Soviet troops and several hundred airplanes were centered in the Far East. It may be true that some troops were removed to the Far East, for the reinforcement was indispensable to protect her border district and to check the advance of bandits into her territory. Soviet Russia finds it absolutely unnecessary to come into conflict with other countries, but in case its border is encroached on she will make no scruple to take up arms against the intruder.

6.—*Asia Monroe Doctrine.*—In Japan we hear quite often talk of an Asia Monroe Doctrine. If this movement fosters friendly relations toward Soviet Russia we see no need to assume an opposing attitude against it.

7.—*Manchukuo and Outer Mongolia.*—As regards the independence of Manchukuo, we are of opinion that, inasmuch as the principle of racial self-determination is a matter for felicitation and a question requiring mature consideration, we must carefully watch how far and in what form the racial self-determination will actually be developed. Now, as to Outer Mongolia, it enjoys perfect independence, and there is not a single Soviet troop there, friendly relations being kept between the two countries. There is a wide difference between Japanese-Manchukuo relations and Soviet-Outer Mongolia relations. To cite an example: In the case of the former, Japanese troops are allowed to be stationed within the country.

8.—*Will Soviet Russia Recognize Manchukuo?*—The Soviet-Manchukuo relations are now kept in a perfect condition, it is true, but before we go forward to establish perfect diplmatic relations with the new state we have carefully to study her future attitude besides paying more attention to the relations between Soviet Russia and those countries adjacent to Manchukuo. Needless to mention, Soviet Russia is desirous of establishing the same friendly relations with Manchukuo as with her other neighbors.

British to Float Shanghai Chinese Municipal Loan

A new era of British and Chinese cooperation was inaugurated in Shanghai during the week when an underwriters agreement was signed between the Municipality of Greater Shanghai and Benjamin and Potts, prominent British brokers in Shanghai, cooperating with the Hongkong & Shanghai Bank, to raise the six million dollars authorized by the National Government to be expended by the Municipality of Greater Shanghai. The agreement was formally signed a day or two after the Legislative Yuan had formally approved the terms of the loan. According to a statement issued by Mayor Wu Te-chen, the proceeds of the loan will be used exclusively for the purpose of reconstructing or restoring the areas of Woosung, Chapei and surrounding districts. The areas to be benefited by the loan comprise the extensive territory extending from Woosung through Kiangwan to Chenju. As the result of the recent war these areas have been laid in waste. Of the originally populous and prosperous villages only a few houses are left undamaged. Light and water systems will be extended to sections which do not enjoy the services at present. Public School buildings damaged or destroyed during the fighting will be rebuilt. A large public hospital is also included in the scheme. The shifting of the original railway line, which will eliminate the barrier that has separated Chapei from the International Settlement and rendered it inacessible, will mean a great deal to the further growth of the residential and industrial areas North of the line.

Mayor Wu emphasized the point that unless provision is made for the future growth and development, Shanghai, the Foreign Settlements, will soon reach the saturation point of overcrowding. The development of the areas bordering on the Settlements will aid, instead of impeding, the improvement of the latter. If Shanghai is to continue in its growth as a commercial centre. Chinese and Foreigners must cooperate with each other, he said. It was a matter of real gratification, therefore, that a British house, Messrs. Benjamin & Potts, through Ellis Hayim, had come forward to assist the City Government in raising the money needed for the reconstruction. Mr. Hayim has certainly helped to begin a new era of British and Chinese co-operation in Shanghai, Mayor Wu's statement conduded.

J. K. Choy, Commissioner of Finance of the City Government of Greater Shanghai, who negotiated the flotation of the $6,000,000 bonds with Messrs. Benjamin & Potts, in a statement, said the price at 80 net for the $6,000,000 bonds of 20 years at 7 per cent. interest without commission, was the best obtainable, in comparison with the prices of Chinese external bonds on October 25, the date of the signature of the preliminary loan agreement between the City and the underwriters. Mr. Choy stated that the average yearly return for the present issue at the underwritten price of 80 net including redemption is 10.668 per cent.; in other words the Municipality is paying 10.668 per cent. interest per annum for the use of the money realised by the issue.

The price received and the rate of return are slightly better, he said, than those of the Chinese 6 per cent. Gold Bonds of 1928—82½ per cent. of par value and 10.69 per cent. average rate of return. The underwriters expect, he said, to issue to the public at 85 per cent., in which case including redemption the average yearly return would be about 9½ per cent. and this rate of return for investors is slightly better than that of the Russian Issue of the Government 5 per cent. Reorganisation Loan of 1913—£60 per cent, yield including redemption—9.38 per cent., and in comparison with the existing Chinese internal bonds in the Shanghai market whose average rate of return for investors is from 22 per cent. to 24 per cent. interest per annum, the City is cutting down the interest rate more than 50 per cent. in the present issue.

Mr. Choy's statement also pointed out that the present issue of internal bonds is the first that has ever been underwritten by a foreign syndicate, and all the expenses connected with the flotation of the bonds will be borne by the underwriters. The present bonds, he said, are well secured, for, wharfage dues at Shanghai as its security, are likely to show considerable stability as a whole because of the unitary character of the Shanghai Port and the fact that the abnormal situation as developed last winter seems unlikely to occur again.

Li Ming Says New Issue Is Amply Secured

Li Ming, Chairman of the Shanghai Bankers Association, in a recent interview stated that he considered the new issue as safe and desirable because it was secured on the revenue from the wharfage dues of the City Government. Those dues, he pointed out, would be collected by the Commissioner of Customs and deposited quarterly with the Hongkong & Shanghai Banking Corporation for service of the loan. The cover, Mr. Li considered, was ample; yet should it prove to be insufficient the Inspector-General of Customs, acting on irrevocable instructions from the Minister of Finance, was charged with the duty of paying such eventual deficiency out of Customs Revenue at the end of each quarter into the Hongkong & Shanghai Banking Corporation.

Work on Greater Shanghai Civic Center Progresses Rapidly

Announcement was made during the week that the construction of roads and the new administration building of the City Government of Greater Shanghai and its various bureaus in the proposed Civic Center, namely, the section between Kiangwan, Yangtszepoo and the northern district of the International Settlement, is expected to be completed by the end of June next so that the City Government may move to its new offices by July next.

More than 2,000 laborers are engaged in building work in the Civic Center, which covers about 1,000 acres. Some of the principal thoroughfares in the section have already been completed. At the northwest section of the Civic Centre a large municipal cemetery is being laid out. A magnificent building to be used as the "main hall" of the cemetery has been constructed. A park occupying an area of over 400 mow and with recreation ground is also being laid out to the north of Chen Tung Road and the south of Wu Chuang Road, while the building of six bridges, all of reinforced concrete, will be started next month over the Jukong Creek, which passes through the Civil Centre.

London Company Sues Shanghai American Firm for £16,000

Claiming damages of £16,000 for breach of contract, Messrs. Pickering, London have brought suit against the Chinese-American Cold Storage Association, the arguments being heard by Judge Milton W. Purdy during the early part of this week. The suit is based on a five year contract, signed in 1930, whereby the defendants were to ship to London certain quantities of eggs. The Chinese-American Cold Storage Association claims that the contract is void for want of mutuality and because there was no price stipulation.

Matsuoka Defends Japan Before the World

(This article, dealing largely with the personality of Japan's chief delegate to the League conference, appeared originally in Chuo Koron, well known Japanese magazine and was written by Mr. Baba, a well known political writer. The translation is from The Japan Chronicle for Nov. 2).

DISCUSSING Mr. Matsuoka, Japan's most popular and energetic delegate to the forthcoming session of the League of Nations, who lately left Tokyo for Geneva amidst the most enthusiastic popular ovations, Mr. Baba, a well-known political writer, in the November number of the *Chuo Koron*, deals with his subject to the following effect:—

The Japanese delegation to the forthcoming session of the League Assembly includes Mr. Nagaoka, Ambassador to France, and Mr. Sato, Ambassador to Belgium, but Mr. Matsuoka is the only delegate who goes specially from Japan to Geneva for the forthcoming meeting. It is but natural that it should be on him that comments, favorable or adverse, on the doings of the delegation are expected to be concentrated. What importance is attached by China on the conference is evident from the fact that she is going to be represented there by such three great stars in her diplomatic firmament as Messrs. Yen Huiching, Wellington Koo and Quo Tai-chi.

Matsuoka is not such a big figure as Saionji was at the Paris Conference and Admiral Baron Kato at the Washington Conference, but, so far as Japan is concerned, the coming session of the League Assembly is far more important than the Paris Confernce or the Washington Conference, where Japan was only one of the actors, and not the leading actor. Nor was there absolutely any danger of the country's destiny being affected whatever turn the deliberations at those conferences might take. Hence the comparatively calm and reassured attitude that the Japanese delegates to those conference were able to assume and hence also the more or less festive tone that was observable in the nation at their back. The present conference is of an entirely different order, convened as it is in order to pass judgement on the blow Japan has dealt to China. It is Japan that is going to be condemned or exonerated. Japan has got to stand in the middle of the stage and play the leading rôle. If things go well, Japan will come away in triumph, while if they do not, one does not like to imagine what the result will be like. It will affect not only the fate of this country alone, but the destiny of the world at large. It is thus that Matsuoka is saddled with a heavier responsibility than it has fallen to the lot of any other Japanese statesman to shoulder. For some time to come, then, one cannot but follow his action with the keenest interest, whether one likes him or not and whether one agrees or not with his diplomatic views.

Terrible Foundation Work for Amity

But the responsibility apparently lies lightly on him, whatever his internal feeling may be. He is as boyish in his features and as buoyant and effusive in his talk as ever. After going over the ruin wrought by the Shanghai affair, he said: The attack upon Chapel, which had a population of 700,000, was very fierce indeed. The navy had at first thought that three days' firing would do the business, but the work was not completed in two weeks. The army had also imagined that ten days would be enough for the job, which, however, took them 35 days to finish. Chapei had been reduced to ruin. But as soon as the Chinese troops were defeated, the Japanese army was on the retreat and came away like the ebb tide—a proceeding which apparently transcended all common sense or prudential calculation. One might wonder what the attack on Shanghai had been for. But it was a very valuable dead investment for Japan. It taught China and Europe alike that Japan might do anything if roused to anger and that one would do well to think twice before one dared offend her. If it had not been for the Shanghai affair, China would now be seething with anti-Japanese agitations in consequence of the recognition of Manchukuo by Japan. That this is not the case is owing to the lesson that has been taught the Chinese. Viewed in this light, the Shanghai affair was not so vain as it might at first sight appear. It was the foundation work for the building of better Sino-Japanese relations.

Il Faut Vivre

According to Mr. Matsuoka, the Manchukuo affair is nothing but a Japanese protest against the mass of malpractices in the world, where territory is unequally distributed among the nations and racial prejudice has narrowed the borders within which the Japanese race can find a foot-hold. Previous to the affair, Matsuoka had stressed how Manchuria and Mongolia were Japan's lifeline. He now regards the affair as an assertion by Japan in the face of the whole world of her right to live. It is in this belief that Matsuoka is going forth to face the world at the League Assembly. Before leaving for Geneva, he said that he was going to argue not with men but with heaven. This was no affected speech, for he really intends to discuss things there is all sincerity as a true man talks with a true man. We do not know whether he is going to trip up the Lytton Report with its errors, but his general attitude is not such as leads one to expect him to worry, much about individual phrases or incidents. When he saw Lord Lytton, the latter anxiously asked him what would become of Sino-Japanese relations, which were so extremely strained. "Do not worry!" was Matsuoka's ready answer, "time will settle it all." Indeed, time will settle things one way or the other. We do not know what interpretation Lord Lytton put on the remark. It is possible that it was not correctly understood. There is such a difference between the Oriental temperament that it is prone to be philosophical and the Occidental mind which is wholly given up to actualities.

Lord Lytton's Mistake

Before proceeding to Manchuria, Lord Lytton saw General Chiang Kai-shek at Nanking to sound him on China's attitude towards Manchuria, and he was given to understand that if only Chinese sovereignty was recognised, everything else would be conceded to Japan. Considering this to be the key to the solution of the Sino-Japanese tangle, Lord Lytton, when he returned to Tokyo, suggested to Count Uchida, the Foreign Minister, that the idea of recognising Manchukuo should be abandoned. Uchida, popularly known as Rubber Doll, as he has long been, was as firm as ferro-concrete on this occasion, and it was in high dudgeon that Lord Lytton went away. Referring to this incident, Matsuoka remarked that it betrayed a lack of understanding of the Chinese situation on Lord Lytton's part. "Suppose that Uchida had accepted his suggestion," he said, "would that have settled the matter with Chiang Kai-shek? If Chiang had openly declared that China would be content with the nominal retention of sovereignty over Manchuria, conceding all real power to Japan, it would be impossible for him to keep in power a day longer. Public opinion throughout China would be up against him so much that he would forfeit his position at once." Lack of understanding is a charge which is slung by everybody here against the Lytton report. What characterises Matsuoka's criticism is that he speaks not merely from Japan's viewpoint but also from that of China. This is not necessarily the result of his sympathy with China, but of his habit of looking at things from a detached point of view.

Education in America

Matsuoka's philosophical attitude and large outlook is due to his bringing-up and education. Going to America in his fourteenth year, he went through all grades of education until he graduated from Oregon University, it being in his twenty-third year that he came back to Japan. He spent the whole of his period of adolescence in the free and virile atmosphere of the new world. Even now his spirit is such that he is ready to take off his coat and work his way onwards with nothing but his strong arms. He was born of a wealthy family at Murozumi, Choshu; the family was engaged in a business that is now carried on by an exchange bank and steamship company and its fame extended as far as the Hokuroku provinces. The firm enjoyed such credit that packets bearing the inscription Ima-Go (short for Imazuya Gorozaemon, the name by which the head of the family was called from generation to generation), and purporting to contain gold coins would pass for legal tender even if they contained nothing but tiles. But when

the Shogunat Government started its campaign against the Lord of Choshu, the family property was confiscated for war fund and the Imazuya fell on evil days. Matsuoka remembers to have accompanied his mother to a relative's for a loan of five yen. Though there were in the house many cases for holding 1,000 gold pieces each, they were all empty. His father was alive, but he was away at Nagasaki and it was entirely by his mother that he was brought up. Matsuoka is famous for the affectionate care with which he looks after the old lady who is now in her ninetieth year. It was through the good offices of one of his uncles, who had met with some success in America, that Matsuoka went over to America as soon as he finished his primary school course. Arriving at Portland, he was sent to a family to work as a student-servant. But his bourgeois blood was up against the indignity of labor on the following day, when he was told by his mistress to chop wood in the back yard. Tears flowed down his cheeks, and he threw down the axe and ran away. He then went to live with a certain William Dumber, a Scotchman whose house was kept by his sister Mrs. Beveridge. By this couple he was treated like a real child, and by Dumber's son like a brother, and the greater part of his American life was spent with his family. It was in order to visit Mrs. Beveridge that Matsuoka went out of his way to Portland on his way from the Paris Conference and also from Washington, where he subsequently served as a member of the staff of the Japanese Embassy. Growing up in such a home as this, racial prejudice is an idea entirely alien to him, and it is owing to his long residence in the Scotch family that his English retains a Scotch accent even to this day.

It was by accident that Matsuoka entered upon the diplomatic service. After his return home he had been engaged in studying Japanese and Chinese classics for two years when the Russo-Japanese War broke out. Being on the supplementary lists, he was in daily expectation of a call from the army, and he was so eager to go to the front that a *Times* correspondent being heard to be on look-out for an interpreter to accompany him to Manchuria, he wanted to offer his services to him, but the idea had to be abandoned through the opposition of his mother, to whom the idea of her son serving as interpreter to a hairy barbarian was unthinkable. If he wanted to see the fight, he was told, he must wait until called by the army authorities. In the meanwhile he went in for examinations for the diplomatic services, and passed them the first on the list, no doubt, thanks to his proficiency in English. The Foreign Office deeming it a pity that a man so well qualified for a diplomat should be forced to serve as a soldier, hurriedly appointed him an assistant consul and sent him to Shanghai, where he made the acquaintance, among others, of Yamamoto Jotaro and Mori Kaku (now prominent Seiyukai leaders, both of whom were then in charge of the Mitsui branch there). Since then Yamamoto and Matsuoka have been fast and inseparable friends. During his residence he received a call from the army twice, but each time he was excused on the plea that he was acting Consul.

Away from the Foreign Offices

Matsuoka had thought at the time of his return from America that he would be a member of the House of Representatives at 30, but being diverted to the diplomatic service, he remained there for seventeen years, in course of which he found that red tape and the desire to shun responsibility, so prevalent in official circles, did not suit his open and straight-forward temper. It was about when he was secretary to the Foreign Minister, first Viscount Motono and then the late Count Goto, in the Terauchi Ministry, that he began to feel that the Japanese bureaucracy would prove the ruin of the State should it be allowed to go on unchecked—a belief in which he was confirmed when he attended the Paris Conference. He was convinced that the time had arrived when both the country and the individual should undergo self-examination and turn over a new leaf. With the intention of leaving the official service he went home to his native province, when Count Uchida held the portfolio of Foreign Minister, but not until he had completed the work of establishing connections all over the world for the Foreign Office's Intelligence Bureau, although he was of opinion that an Intelligence Bureau was hardly a necessary organ in time of peace. Matsuoka had been accustomed to call his chief by the name of "Rubber," and it was possible that the fact had reached the ear of the party so referred to, but it was Count Uchida himself that most strenuously opposed his resigning office and did his utmost to dissuade him. Matsuoka is so wayward, he said, that he had better be left to idle his time away or leave, for he will come back when he is tired of doing nothing. About five months had passed after his retirement into the country when he received a wire from his friend Yamamoto to come up to the Capital at once where he was told that he (Yamamoto) had been asked by Mr. Hayakawa, who was going to be President of the South Manchuria Railway, to set him (Matsuoka) to join the board of the company Matsuoka replied that he intended to leave the Foreign Office and had no mind to enter into the service of the Manchurian Company. But Mr. Hayakawa was so persistent in urging him to serve under him that he ended by complying. This was in 1921.

What struck him most at his new post was the fact that the bureaucratic spirit which he found so strong in Japanese officialdom had spread to the colony. In Tokyo he had heard that the board of the Manchuria Railway paid no heed to foreigners or Chinese. He now found that they were as little interested in the Japanese in Manchuria. The directors were entrenched in their respective departments like so many feudal lords, so much so that when Mrs. Hayakawa was about to have a tea-party with ladies of some Japanese residents, or when Mrs. Matsuoka was going to call on a friend at Dairen, it was objected to as being prejudicial to the dignity of the company! When Mr. Hayakawa invited the Consuls to a luncheon party, the American Consul said that their existence had been recognised by the South Manchuria Company for the first time. Things were different when the late Count Goto was President of the company, when they kept their door wide open and freely mixed with foreigners. But this was followed by a period when the company was not in touch with foreigners. Apart from the bureaucratic tone illustrated above, the conduct of the company's business was marred by red tape that was more pronounced than that in official circles in Japan. Nor would the chiefs of departments and sections attend office until 10 or 11 in the morning. Matsuoka repeatedly objected to this but in vain until he had a circular issued to the effect that those who would not attend at 8 a.m. should resign office at once. It was in this way he succeeded in putting a greater tension in the atmosphere of the company, but it made him unpopular with the staff for the year or so following his appointment at Dairen. Even now the sense of time is very loose everywhere in the colonies except in the South Manchuria Railway Co.—a matter of surprise to many travellers. The work to which Matsuoka bent his energies more than to anything else as director of the South Manchuria Railway was probably the construction of the Taonan-Angangchi railway which crosses the Chinese Eastern Railway at Tsitsihar and extends into the center of North Manchuria. (To be quite accurate, it is a purely Chinese line which runs north of Tsitsihar). He was also instrumental in making other railway agreements for the fulfilment of his ideal of a railway net for Manchuria and Mongolia. So when he subsequently saw how Japanese interests there were being opposed by China, it was but natural that he should be filled with indignation, for it meant the demolition of his own achievements one by one. He rose to the post of Vice-President of the company under Mr. Yamamoto when the latter was appointed its President under the Tanaka Ministry, which office he resigned at the time of the Hamaguchi Ministry, and was elected to the House of Representatives.

Statesman in Making

One of the Seiyukai leaders once said: "Matsuoka confines himself to diplomatic questions and does not meddle with any others. Even in diplomatic matters, he speaks only when asked by the party leaders to do so. His speeches in this line are great speeches, the like of which is seldom heard in the House. His attitude in speaking is such that he appears to be above party dispute and be addressing the world at large. It must be Matsuoka who will succeed Tanaka in the Seiyukai." It remains to be seen whether this prediction will come true or not, but this much is certain that he is not a finished work, but still a growing plant. He is now going to Geneva to dash himself against the world in all nakedness and it must afford a further training for his body and mind. In face, he is an object of greater interest as a man rather than as a diplomat.

Japan Defies the World

[The publication of the Lytton Commission's report to the League of Nations on the Chinese-Japanese conflict lends timeliness to the following article on the present situation in Manchuria and the history of Japanese intervention in that region. The article was written by a British authority on Far Eastern affairs whose position makes it necessary that his name be withheld. It appeared in "The Nation," (N.Y.) for Oct. 19.]

THE modern history of Manchuria began when Japan seized Korea from China in the Sino-Japanese war of 1894-95 and was balked of the Liaotung peninsula in South Manchuria only by the intervention of Russia, France, and Germany. Russia thereupon acquired the concessions Japan had coveted, and at the turn of the century built the Chinese Eastern Railway and opened the port of Dalny (Dairen). The Russo-Japanese war of 1904-5 followed, and Japan took over the Russian lease of the Liaotung peninsula, including Dairen, and all Russian concessions and privileges in South Manchuria as far as Changchun, including the corresponding portion of the C. E. R. (rechristened the South Manchuria Railway), the coal mines, and Fushun and various subsidiary enterprises.

The Rise of Manchuria

Building the C. E. R. gave a great stimulus to the immigration of Chinese peasants, particularly into North Manchuria, and this development was accelerated by the discovery of the valuable properties of the soya bean, and the springing up of a world demand for this product. The last twenty-five years have seen a tremendous agricultural development in Manchuria, on which the prosperity of these three Chinese provinces has been built. The Japanese have made a good thing of this development, as also of the coal mines, the railway, and the other spoils of war taken from the Russians. But as regards their propagandist claim to being the creators of Manchurian prosperity, let us hear the testimony of E. F. Wilkinson, who was British Consul-General at Mukden from 1921 to 1928, and so should know what he is talking about:

> No one will deny that the progress which Manchuria has made during the past twenty-five years has been mainly due to the development by the Chinese of its agricultural resources. That this development was only rendered possible by the construction of the Chinese Eastern and South Manchuria railways may be admitted, but both these railways were originally planned and built by the Russians, who also opened Dairen as a commercial port. The Japanese have merely carried on and extended the work initiated by the Russians, and while they have done so very efficiently, and with advantage to the trade of the territory as well as their own trade, the claim which they make to being the creators of the prosperity of Manchuria is absurd. Considering the extraordinary fertility of its soil and its great natural wealth, the steady increase since 1907 in the trade of Manchuria is in no way astonishing. It would have been far more rapid but for the preferential rights claimed by the Japanese, and, more especially, their veto on the employment of foreign capital other than Japanese in the construction of railways and the development of the mineral resources of the territory.*

China's three eastern provinces—Heilungkiang, Fengtien, and Kirin—together with the province of Jehol, are commonly known as Manchuria and Inner Mongolia and constitute a vast area bigger than France and Germany combined, rich in fertile soil, timber, mineral resources, and coal, with Arctic cold in winter and tropical heat in summer. From time immemorial Manchuria has been linked with the destinies of the Chinese race and formed part of the principalities, kingdoms, and empires thrown up by the Chinese and the tributary racial streams they have absorbed in the course of their long history. Chinese immigration into Manchuria began before the Christian era. Today the population is nearly 30,000,000, of whom at least 95 per cent are Chinese and the rest Mongol nomads (about 700,000), Koreans (600,000), Japanese (200,000), and Russians (800,000). The handful of Manchus have lost their language and are virtually indistinguishable from their Chinese fellow-citizens. There is a heavy Chinese immigration, which of late years has risen to nearly 1,000,000 annually.

After twelve months of Sino-Japanese conflict Japan has overrun the whole of Manchuria and recognized the separate state of Manchukuo. Manchuria itself has become practically a battlefield. The preliminary report of the Lytton Commission in the spring mentioned that there were some 140,000 men of various denominations in arms against the Japanese, and since then the numbers have grown. At first Japan raised and trained Chinese troops and attempted to send them into the field in the name of Manchukuo against their Chinese brethren. Several crack units promptly deserted to the insurgents, taking with them the most up-to-date Japanese training and equipment; others contented themselves with firing in the air; none of them fought. Consequently, the Japanese had to do their own fighting, and the number of troops in Manchuria was steadily increased to 80,000. In the middle of September the press announced that another division was going to Manchuria to "relieve" some of the troops already there. (This is the consecrated formula —the troops relieved also stay.) The army is still of opinion that the number of troops is insufficient, and the life of the Finance Minister is constantly threatened because he opposes further reinforcements.

Financial Collapse

Feng-tien province, which used to pay $80,000,000 in annual revenue, has not come anywhere near paying the $7,000,000 called for by the financial program of Manchukuo. Revenue from taxes in South Manchuria has diminished by 74 per cent, and in North Manchuria by nearly 90 per cent. This is because, owing to the almost universal disorder and fighting, the crops have not been sown. According to Japanese economists, this year's harvest will be only 40 per cent of last year's. These calculations were made before the devastating floods in Manchuria, affecting 8,000,000 people and practically wiping out the crops in the most fertile part of the country. Famine conditions exist over large areas. The soya-bean trade and the industry of extracting oil from the soya bean have practically died out. The currency has lost all value. The loans secretly and indirectly contributed by the Japanese government have been mere drops in the ocean. The Central Bank of Manchukuo, which was launched with a great flourish of trumpets, quickly got through the 20,000,000 yen lent by Japan, but proved incapable of stabilizing the currency. The appalling conditions in Manchuria have led to such a drop in foreign trade that the customs and postal services, seized by Manchukuo, instead of yielding a golden harvest as expected, constitute a heavy financial burden. As the Harbin *Nichi Nichi*, one of the chief Japanese papers in Manchuria, remarks:

> The position in Manchuria has become so bad that it is impossible to hope for a quick development of Japanese or any other economic activity. For the moment we must work to build up the shattered foundations of economic life, in the first place of agriculture and finance.

It is not surprising in the circumstances that the numerous delegations of Japanese business men, headed by the great firms Mitsui, Mitsubishi, and others, which have the closest connection with the army and navy and control almost the whole of Japanese industry, should have proved very shy of the pressing invitations from the army to invest money in Manchuria. As an important Japanese economist, who requested that his name should not be revealed, declared not long ago in the *North China Daily News:*

> No one would be mad enough to risk his money in Manchuria, so long as the volunteer movement which has spread all over Manchuria has not been stamped out, and the sources from which the volunteers draw support traced and eliminated.

*The *Spectator*, London, May 7, 1932 p. 663. See also Mr. Wilkinson's article on Japan and Manchuria in the *Spectator* of April 16 and Vol. VIII, No. 3, Parts I and II (April 13 and 20, 1932) of the American Foreign Policy Associations reports on Railway Rivalries in Manchuria Between China and Japan, for a careful and rigorously impartial study of the matters discussed above.

Japanese army authorities in Manchuria estimate that it will take them from five to seven years to restore order. The Japanese delegate in the Council of the League has mentioned ten years. The Chinese are confident that they can keep Manchuria in an uproar indefinitely; in any case, they say, long before five years the Chinese boycott (95 per cent of Japan's foreign investments are in China, and they are losing money heavily as a result of the boycott) will bankrupt Japan.

Starvation, Strikes and Riots

In Japan itself the yen, which was forced off the gold standard at an early stage of the conflict, has sunk to less than one-half its par value and is still sinking; Japanese securities, for the first time in history, are lower than Chinese, and the government is at its wit's end how to pay the short-term foreign loans that will fall due this year and the next, for it knows that its credit is too bad, and its unpopularity too great, to hope for a prolongation or renewal of these loans. Revenue from taxation has dropped sharply in the last year and is still dropping; savings-bank deposits are shrinking rapidly; there is a gaping budget deficit; the trade balance is unfavorable by 250,000,000 yen, not counting the vast unregistered foreign purchases by the Ministries for War and the Navy; and the agricultural crisis has produced indescribable conditions—in whole provinces the peasantry are eating grass roots, cattle feed, and fish entrails used for fertilizer, selling their daughters to houses of prostitution, and dying of starvation. Of the two staple crops, the market price of rice has sunk to less than the cost of production, and raw silk fetches only one-third of what it costs to produce. The indebtedness of the peasantry is about 6,500,000,000 yen at a rate of interest varying between 10 and 40 per cent. The amount due in interest per year is about equal to the value of the total annual agricultural production of Japan. To this must be added the crushing burden of taxation, of which between 50 and 60 per cent goes for war purposes, apart from the heavy subsidies and exemption from taxation for industries of military importance (pig-iron, steel, shipping and shipbuilding, chemical industries). Most of the resources for this policy are ultimately derived from the agrarian population through direct and indirect taxation. Taxes have multiplied from four to five times as compared with the pre-war level.

It is not surprising that the countryside is the scene of almost continuous rent strikes, riots, and bloody conflicts between starving peasants on the one side and landowners and usurers on the other. Although Japan is an agricultural country, and Japanese labor is riddled with communism and extreme Socialist thought (all Western Communist literature is translated into Japanese as fast as it appears, whereas more moderate sciological works find a small market). The intelligentsia, particularly the teachers, are also heavily tainted with extreme radicalism.

The Japanese Legend

Since the conflict began, Europe and America have been inundated by Japanese pacifists, Quakers, and internationalists of every kind, who have been telling all who will listen how utterly they deplore and abhor the policy on which their militarists have embarked, but who at the same time entreat the West for God's sake not to oppose the militarists in any way, for that would only further exasperate them and rouse the whole nation to a pitch of blind fanaticism. The exponents of this view are undoubtedly perfectly sincere, for, like most Japanese, they are naive and childlike in political matters and stand in such awe of their own militarists, and are such hearty believers in the flattering legend of the Samurai spirit, Bushido, and the like, that they are blind to the realities of modern Japan.

But there is no reason why the more sophisticated Westerner should accept these stories at face value. The starving Japanese peasant, as he eats his rotten fish-gut and thinks of his daughter in the nearest *Yoshiwara*, is not worrying about Bushido. The morale of the Japanese people will crack the moment they begin to believe that the government's policy will fail. As the Japanese militarists have failed in several big adventures, and as Japanese public opinion is still afflicted by a deep-seated inferiority complex vis-a-vis the West, the conviction of failure would come very fast and go very deep if the rest of the world had the courage to isolate Japan, condemn her morality, and take its stand firmly on the treaty obligations by which the whole civilized world is bound. The legend of the Japanese people preferring death to dishonor is destined to go the same way as the pre-war legend of the selfless devotion of the Russian mujik to his church and his little white father, and the somewhat more recent legends of the Turks' immutable faith in Islam, or the fanatical devotion of the Spaniards to the Catholic church.

As for China, the conflict, coming on top of the devastating floods, has hit the country very hard, weakened the government, drained its resources, caused a sum total of human suffering about which it is best not to think, and given an impetus to communism in the interior. But the National Government has stood up astonishingly to the strain. The heroic fighting at Shanghai caused a great uprush of national sentiment, and for a moment caused distracted China to forget her divisions and dissensions. That mood has passed, but there are no signs of any weakening, and indeed no Chinese government could survive for five minutes which attempted to compromise with Japan on the basis of losing Manchuria. The problem of the National Government is to consolidate and extend its authority, and it can do this only by leading the national resistance against Japanese aggression and inspiring confidence in its capacity to improve the conditions of the people.

The Chinese Antaeus

Chinese confidence in ultimate victory is grounded on the fact that the Chinese are a nation of 400,000,000 —one-quarter of the whole of humanity—with a history of 4,000 years, during which they have absobred or worn down innumerable would-be conquerors. They believe that the boycott and the guerilla warfare in and around Manchuria will bankrupt Japan and force her into revolution. They believe they have the forces of history on their side—the more wanton Japan's aggression becomes, the higher and brighter will burn the flame of China's national spirit, and the more China resists, the stronger will become her international position and the regard in which she is held by the world. They have with them the commitments and the causes on which the civilized world has pinned its hope of peace. They believe that the Chinese giant, like Antaeus, will rise the stronger the more often and the harder he is beaten to the ground, and that in the end he will be irresistible. There are many Chinese who say that Japan is actually réndering them a service by arousing and uniting China. The Japanese people, on the other hand, they say, is under the heel of a feudal military caste, and the farther this caste goes in its present policy, the more formidable will be the forces aroused against it both at home and abroad. The ultimate downfall of the military caste at the hands of its own people and in face of the gathering disapproval of the whole world, they believe to be certain.

But the present National Government has adopted the policy of cooperation and friendship wit hthe West, and is continually attacked for not offering more active military resistance and for not turning for help to Russia. If, in the face of Japanese recognition of Manchukuo and repudiation of the Lytton report, the Western Powers remain supine and acknowledge that treaties are scraps of paper and that force is the supreme arbiter, the more violent counsels are likely to prevail. If China is abandoned by the West, the present governnment will go under; Chinese nationalism will win in the end, but by more tortuous and bloodier courses; the nationalism that will then ultimately emerge will be the enemy and not the friend of the West and in all probability the ally of Russia.

The Lytton Report

The Lytton report, which was published on October 2, will not be discussed in the Assembly until the middle of November. It makes clear that Japanese action in Manchuria was essentially aggressive and that Manchukuo was set up and is maintained in existence by Japan. The solution it offers is unequivocally based on the Covenant and on the Nine-Power Treaty, that is, on the continuance of effective Chinese sovereignty over what these treaties guarantee as Chinese territory. This means that Japan will reject, and Chinese accept, whatever report and recommendations the Assembly makes under Paragraph 4 of Article XV on the basis of the Lytton report.

It may be confidently assumed that the Japanese government will make strong efforts to get the League to accept this situation. For the Japanese higher ranks (as distinguished from the junior officers) are reluctant to contemplate a break between Japan and the League. They prize Japan's position as a permanent member of the Council, because in their eyes it consecrates her prestige as a great Power, on equal terms with other

countries, to be consulted on all world questions. They are fully aware of the opportunities for international bargaining this gives Japan, and they fear that China and the Western Powers, through the League, might get on too well together in Japan's absence. Above all, they fear the effect of isolation on Japanese finance and public opinion, and the exposure of the bluff that Japan is united in her determination to defy the world.

In its efforts to maneuver so as to induce the League to accept the boon of Japan's continued active membership, in spite of her rejection of the Lytton report and continued occupation of Manchuria, the Japanese government can probably count on official British support. The argument will be used that if Japan goes out of the League, there is no way of restraining her, whereas if she stays in, it is still possible to use moral influence. Time will ultimately defeat Japan, but it is no use irritating the Japanese militarists by open opposition. In any case, there is no obligation under Article XV on China and Japan to accept a League report, and the most that the League can do in the circumstances is to give them three or five years to consider the matter. This view ignores the whole question of Japanese aggression and makes a scrap of paper of Article X, which is regarded as the keystone of the Covenant.

If the League should ask for the summoning of a conference of the signatories to the Nine-Power Treaty, it would be merely an attempt to put the responsibility on the United States. All the signatories of the Nine-Power Treaty except the United States are members of the League, and under the Covenant have obligations that go much farther than the Nine-Power Treaty. The United States would certainly object to any proposal of the kind mentioned, for, from the American point of view, the maximum results can be got by the combined obligations and signatories of all three of the treaties involved—the Covenant, the Paris Pact, and the Nine-Power Treaty.

In one way or another, too, an attempt will be made to refer the whole report to direct negotiations between China and Japan, without specifying that the disputants should be bound to accept the report as the basis of discussion and, of course, without touching the question of the recognition of Manchukuo by Japan or the withdrawal of Japanese troops.

A third possibility is that foreshadowed by the Tokyo correspondent of the London *Times* in the issue of August 29—namely, that the League should be offered a chance by the Japanese to save its face and retain Japanese membership without cramping Japan's style in Manchuria, through some Japanese brand of the Stimson non-recognition doctrine, that is, through some platonic declaration that the members of the League will not recognize Manchukuo. Japanese officials, as the Tokio correspondent of the *Times* remarks, say they do not care in the least whether anyone recognizes Manchukuo, and are quite prepared to stay on in the League on these terms, provided nothing really rude is said.

It may also be taken for granted that, following precedent, the strongest pressure will be put upon the Chinese to accept some solution of this sort, that is, to accept the League's virtually surrendering to Japan, washing its hands of the matter, and telling the Chinese do the best they can with a number of scraps of paper entitled Covenant, Nine-Power Treaty, and Paris Pact, and a whole portly sheaf of paper entitled the Lytton report.

The League's Position

But it is most improbable that the Japanese, even with British help, will succeed in getting any such policy through the Assembly; for the small states, which for a time took a strong stand during the March Assembly, are now likely to be far stronger. In March they were told that the issue was to declare Japan guilty of resort to war under Article XVI, and that this meant the application of sanctions; as it was the great Powers who would have had to take the risk in case it came to sanctions, it was not possible for the small Powers to push them against their will into adopting this attitude. They were further told that the situation was so peculiar in the Far East as not to constitute a precedent for the application of the Covenant, and that they did not possess the detailed knowledge which the great Powers enjoyed of the local situation. Most important of all, they felt that the United States supported them up to the point of getting the principle of non-recognition adopted in the March resolution, but did not want to go farther at the time.

This time the issue is infinitely graver: Shanghai was sideshow, but Manchuria is the heart of the whole dispute. In March a temporizing policy was defensible on the ground that we must await the Lytton report. But to tolerate Japan's continued presence in the League in the teeth of her rejection of the Lytton report and continued occupation of Manchuria would mean that Japan, as a permanent member of the Council, would be one of the principal judges, one of the leading partners in the cooperative association known as the League of Nations. The League would have ended by giving a sort of international moral sanction, or at least condonation, to the policy of waging an undeclared war in order to foment a separatist movement in the territory of a member of the League, and to set up by force of arms a puppet government in such territory. No state with minorities, nor indeed any weak Power with strong neighbors, could tolerate such a precedent, for it would mean that weak states were worse off as members of the League than they had been before the war, and that the League, far from conferring security, merely added the spice of international hypocrisy to the substance of national violence. Therefore this is an issue on which they cannot yield. There is no question of applying sanctions, and the Lytton report supplies all the local knowledge required. The American attitude has become a great deal firmer than it was in March and will give the small Powers every encouragement.

France and the United States

In France, too, since the middle of September there has been a far-reaching change in the attitude of the government, of which the first symptom was the leading article in the *Temps* of September 16. The Radical Government of M. Herriot (who, with M. Painlevé, had denounced Japanese aggression when in opposition) and still more its radical and Socialist supporters in the chamber, who have been strongly in favor of applying the Covenant since the outbreak of the conflict, was never happy over the policy of its predecessors in the Sino-Japanese conflict. But during his first months of office M. Herriot was so overwhelmed with the reparations problem, the disarmament conference, and domestic difficulties that he let the egregious M. Paul-Boncour go on handling this issue in the same nerveless manner as he had done under the Tardieu Government. In the middle of September the truth which had been dawning for some time came home fully to the French Cabinet, namely, that the Covenant was being undermined. The French government decided that the situation in Europe was now so critical and so full of ugly possibilities that France must stand firmly on the only treaty security she had, namely, the Covenant, and must seek the friendship of the United States. She could not, the Cabinet further decided, afford in the circumstances to have one policy in the Far East, of letting the Covenant go by default, and another in Europe, of basing her security on the Covenant. And as France's interests in the Far East are negligible compared with her interest in European security, the conclusion to which this reasoning led the French government is obvious.

Last but not least, the United States feels that its whole policy in the Far East for the last thirty years, the peace of the Pacific, and ultimately the peace of the world are at stake in this conflict. It is fully aware of the advantages that the League affords as the only collective system of treaty obligations and machinery for international action, and is anxious to interpret the Paris Pact and the Nine-Power Treaty so as to afford a legal basis for active cooperation with the League. And it is quite determined that the non-recognition policy should be applied in such a way as to constitute a real and serious obstacle to the consummation of Japanese ambitions, and an effective means of isolating Japan.

Britain Backs Japan

This brings us to the British position. There is reason to believe that there is now dissension in the Cabinet, for the Prime Minister and some of his more enlightened colleagues realize the gravity of the widening gap between American and British policy, and remember that in 1922 Great Britain was forced by pressure from the dominions to abandon the Anglo-Japanese alliance and come down on the side of the United States, disarmament, and the Nine-Power Treaty. But the majority of the Cabinet still support Sir John Simon in a policy of drift and passive connivance at Japanese aggression. The official attitude is described with striking accuracy in a dispatch from its London correspondent published by the

New York Times on August 16. The British government, said this dispatch, had no longer any doubt that the Lytton report would constitute a severe indictment of Japanese policy in Manchuria, and was frankly embarrassed at the fact and anxious not to let the Manchurian storm blow up again.

Official quarters consider the Lytton report as a grave inconvenience—to put it mildly—in view of the almost traditional British policy of avoiding antagonizing Japan over Manchuria. That the Earl of Lytton, chairman of the commission, is British is regarded as unfortunate, and there is real fear in official circles that Japan will identify his report with with the views of the British government, to the detriment of Anglo-Japanese relations.

But the British are unhappiest of all over the serious difference of opinion with the United States over the Manchurian issue—a difference that will test all the power of compromise of Sir John Simon, the Foreign Minister, to the uttermost. Despite pronouncements from Washington indicating stiffening of the American attitude toward Japan, the British government is still unready to support the Washington State Department. It still fails to recognize the applicability of Secretary Stimson's doctrine of non-recognition to Manchuria, and when officials welcomed his New York speech last week it was as a contribution to the disarmament conference, not as a warning to Japan.

British statesmen are careful not to admit that the Manuchria trouble may influence the coming debt negotiations. Nevertheless, they are not happy over the coincidence that next winter, just when they will be seeking debt concessions from the United States, they may be thwarting the American policy at Geneva.

The fact that Great Britain consented to the Manchurian inquiry at all is deeply regretted.

In the official British view, Japanese domination of Manchuria has been developing for the last two generations, having begun long before any Covenant or League of Nations existed. Despite the events in Shanghai last winter, the British government and business men are still convinced that their interests in the Far East are safeguarded best by good relations with Tokio. Certainly, British business men place more trust in a Japanese than in a Chinese regime in Manchuria, and believe they could profit under Japanese occupation even if there were preferential treatment of Japanese commerce.

There is a great deal of opinion, the dispatch concludes, upholding the League against Japan, but this is a nationalist business government and it still is standing firmly with Japan, although not at all happy over the prospects. The State Department will have a difficult time in bringing the British government round to its way of thinking.

America Cannot Temporize

On September 17 the *London Times* published a dispatch from its always well-informed Washington correspondent, who wrote that Mr. Stimson was giving almost all his time to the Sino-Japanese conflict, but had nearly abandoned hope of receiving British or French support. (The French attitude has, as mentioned above, changed recently.) His policy was therefore "definitely one of giving the smaller members of the League of Nations all possible support in the hope that they can prevent Great Britain and France from absolving the Japanese from blame in Manchuria."

The *Times* correspondent then referred to the following leading article in the Scripps-Howard chain of newspapers:

Japan defies the American government and American public opinion, but Japan would not be so quick to defy all the large world Powers. That is the joker in the international pack today. The support of the European Powers, or at least their tacit approval, seems to have gone to Japan, the treaty violator, rather to the Nine-Power Treaty they are sworn to uphold. Great Britain and France have refrained from joining the American declaration outlawing the fruits of Japanese conquest; Great Britain and France have obstructed the efforts of the smaller European nations to hold Japan to her League of Nations peace obligations; and now those two Powers are reported to be trying to modify or postpone League action against Japan on the basis of the forthcoming League report.

Encouraged by this appearance of British and French support of Japanese militarism, Tokio is reported to be in the heat of vast war preparations, with munition factories under forced production. Some observers think that Japan is preparing for war against Russia; others say she is getting ready for war with the United States.

Under the circumstances American officials must recall that the price of the Nine-Powers Treaty was the sacrifice by the United States of certain naval and defense rights in the Pacific. If that treaty has been destroyed beyond repair, the United States should know it quickly. The test is whether Great Britain, France, and the other signatories of the Nine-Power Treaty and the Kellogg Pact are going to defend the treaties against Japan. When we say defend, we do not mean with armies and navies, we mean defend the treaties with joint moral, diplomatic, and economic pressure, which is more in keeping with the spirit of the violated treaties and more effective than war.

Two steps are imperative at once: The United States should demand openly that Great Britain and France should declare themselves publicly. The United States should ban all military shipments from this country to Japan.

This, then, is the situation that will face the Assembly as regards China, Japan, the Lytton report, the small Powers, France, and the United States. Will the official British attitude, which, it must be repeated, is described accurately in the New York *Times* dispatch, remain unchanged?

Soviet Consul-General Explains Position of Chinese Consul at Blagovestchensk

The Soviet consul-general at Harbin, M. Slavutsky, has given an explanation of the Soviet attitude vis-a-vis the Chinese consul stationed at Blagovestchensk. M. Slavutsky informed a Manchukuo representative (who enquired) that the Manchukuo consul at Blagovestchensk represents Manchukuo and that in this capacity he has secured business contracts and the cooperation of the local Soviet authorities. The Chinese consul appointed by the Nanking Government on the other hand, is continuing to function in business not relating to Manchuria; the two would continue to function, he said.

Judgment Against R. E. MacIntyre in Booker Case

Ruling that the case before the court could not be considered a gambling debt although speculation on the gold bar market was shown, Judge Milton D. Purdy, in the United States Court for China, awarded judgment Nov. 11 to Ching Foong & Company in the sum of Tls. 18,118.40 against R. E. MacIntyre, guarantor of promissory notes for H. E. Booker, former Shanghai promoter. The four promissory notes were for the settlement of an indebtedness incurred by Booker arising out of the purchase and sale of gold bars for future delivery.

Executed for Trafficking in Opium

Chang Shou-jen, head of the south-western suburb of the Tsinan Bureau of Public Safety, was executed on a recent morning, by order of General Han Fu-chu, Chairman of the Shantung Provincial Government, after having been tried and convicted on a charge of trafficking in opium. Efforts by Chang's friends to save him from capital punishment proved futile. General Han said that he was determined to uphold the integrity of officialdom and Chang's case should be regarded as a warning to all corrupt officials.

Chinese Official of Swastika Society Assassinated

Chow Han, accountant and business manager of the Shanghai branch of the World Swastika, was assassinated at the rear door of this house, Sze Wen Lee, Sinza Road, Shanghai, in the morning of Nov. 18. He was found lying in a pool of blood by a friend. The latter immediately awakened Mrs. Chow who was then still sleeping. Police were called to take the man to the Paulun Hospital where he died shortly after. No clue to the assassin has so far been found.

State Ownership of China Merchants S. N. Co.

BY PAUL K. WHANG (汪仲芳)

THE status of the China Merchants S. N. Co. has been at last definitely defined. In a resolution passed on Nov. 8 by the Executive Yuan of the National government, it is prescribed that the government will take over by cash payment all shares of the China Merchants at the rate of ₮50.00 per "set" of shares and that the shipping company will henceforth be run by the government through its trusted agent with the assistance of a special board of supervisors and another of directors. This resolution has caused considerable interest among the Chinese public in general and in shipping circles in particular, inasmuch as it has been generally alleged that a clear definition of its status is essential to the ultimate rehabilitation of this old but dilapidated shipping company.

Since the government took control of the company in the spring of 1928, its status has always been an ambiguous one. Its ambiguity was doubly increased when Li Kuo-chieh, the chairman of the Board of Directors of the company, was appointed its general manager last April. Mr. Li's appointment was construed at the time as the government's intention to return the control of the company to its stockholders once again.

For four-and-a-half years the company has been under the management of a-four different government appointees. The first appointee was T. C. Chao, whose regime, after more than two years, ended with his tragic death in July, 1930. His successor was an official named Li Chung-kung who ruled a little more than eight months. The third appointee was Koh Wei-fung, a Shanghai business man, who, after ten months' futile attempt to reorganize the company, also found himself unequal to the task and resigned his post. Finally Li Kuo-chieh was appointed to fill the vacancy last April and was relieved of his office when the government decided to buy over the ownership of the company.

In the meantime, the company was first under the supervision of the Ministry of Communications. After one year's trial, it was made directly responsible to the State Council. After three more years, it was again subjected to the supervision of the Ministry of Communications. In spite of the frequent changes in the form of management and in the personnel, little progress has been made in the rehabilitation of the company. On the other hand, its indebtedness has increased from ₮12,000,000 to ₮17,000,000 during the time of government control, and the company seems to have plunged into the Slough of Despond hopelessly.

Lack of Definite Status

It has been generally claimed that lack of definite status has been the chief handicap in the task of rehabilitating the company. Many attempts have been made by different government appointees in asking the government to pronounce a definite status of the company, but the government has hitherto seemed to be too busy to give much thought to such a trifling matter. With its status undefined, the company has been obviously handicapped in carrying out any gigantic plan of reorganization, when assistance and cooperation can by no means be secured from the public, which has entertained a suspicion as to the real motive on the part of the government in taking over its control, but leaving its status undefined.

Insofar as the past record is concerned, the government management of the company is a complete fiasco. Flowery promises have been made, but remained on paper, and gorgeous plans have been drafted but shelved. The company has virtually become a political institution with the introduction of a bureaucratic system and the creation of superfluous offices. Thus its expenditure has been mounting daily, while its revenue has been rapidly decreasing through the loss of its four best ships, and the havoc caused by internal strife. As a result, its monthly deficit is said to be more than $200,000. True, it possesses an enormous amount of landed properties in Shanghai and elsewhere, but these have all been mortgaged to different banks. During the past few months, the company has been in such a bad financial condition that the wages of its employees have been two or three months in arrear.

In the face of such a critical financial situation of the company, the government can not yet relinquish its control without losing its face. In order to maintain its prestige, the government has only one alternative, that is, to start the work of its rehabilitation immediately. The present government resolution to buy off the stocks of the company may be interpreted as the government's determination to redeem its promise of rehabilitating the company.

As reported, the government will take over by cash payment all shares of the China Merchants at the rate of ₮50.00 per "set." In regard to the company's capital, a little explanation seems to be necessary. The company was originally organized with a capital of little more than ₮200,000 in 1874. Through the addition of new capital and gradual expansion of business, its total capital increased to ₮4,000,000 in 1897, divided into 40,000 shares. In the year 1914, at the stockholders' meeting it was decided that its capital should be increased to ₮8,400,000, and that each stockholder should receive additional shares, as many as the number he originally held. A the same meeting, it was also decided that a surplus Property Company should be formed to look after all the company's real estate, having no relation to the shipping business, with a capital of ₮4,400,000, ₮4,000.000 of which should be distributed among the stockholders, and the rest set aside as a reserve fund for bonus payment to the company's employees. Thus each stockholder of one share would receive one new share of ₮100 and also another share of $100 of the Surplus Property Company. These three shares are now considered to as one "set," bearing the face value of ₮272.00.

Since 1928 the company has never paid its stockholders any dividends. Therefore the market value of its shares has been dropping rapidly and now its share (one set) is not worth more than ₮30.00. While the market value of its shares is only one-ninth of its face value, the company however is still in a sound state insofar as its assets and liabilities are concerned. According to the report of the company, its assets still amount to about ₮55,000,000, while its liabilities only aggregate about ₮17,000,000. Thus if the company is dissolved now and liquidated, there would be a surplus of about ₮30,000,000 to be distributed among the stockholders.

Arbitrary Price Fixed for Shares

To buy off all the shares of the company, the government has either one of the four alternatives: Either to buy the shares at their market value, or at their face value, or at the difference of assets and liabilities, or at an arbitrary price set by the government. The first method is of course not acceptable to the stockholders, because the market value of its shares at the present time does not reflect the exact situation of the company as disclosed by its balance sheet. The second and third methods are equally untenable, because the company as a going shipping concern is not worth as much as shown on the books. Therefore it is altogether natural that the government has arbitrarily set the price at ₮50.00 per "set" of its shares.

To many, this arbitary price may be considered too low to be justifiable, because it represents only one-half of the original investment of the stockholders, about one-fifth of the face value of the share, and only 5% of the actual value of the assets minus liabilities. (The actual value of each "set" of shares based on the assets of the company must be around the neighborhood of ₮1,000, if the company is dissolved now.)

However, many stockholders will be only too glad to accept this low price offered by the government rather than to receive nothing at all. In view of the present precarious situation of the company, its future can not be anything but dark. No dividends have been declared for the past nine years, and shares have found no buyers even when offered at one-ninth of their face value. Something is always better than nothing, and in future this "something" may be lost altogether, if the company is left drifting aimlessly as it is now.

In accepting the government offer, the stockholders appear to make a great sacrifice. As a matter of fact, most of the company's shares are in the hands of a few big stockholders, who, before the government took control of the company, had manipulated its management to the exclusion of the interests of small stockholders. Through their manipulation, they reaped profits many times more than their original investment, and therefore it is justifiable for the government to ask them to make some sacrifice, when they can well afford to do so.

With its status definitely defined, it is hoped that the company will henceforth take on a new lease of life. Really there is no reason why this old company can not be rehabilitated, when its management is entrusted into the hands of responsible business men and operated as a commercial house with the abolition of superfluous offices and the cutting down of its unnecessary expenditures. We pin a great hope on the new management and wish it every success.

Shanghai, Nov. 21, 1932.

Tls. 700,000 Bribe Alleged in China Merchants Deal

THE National Government, through the *Kuo Min* News Agency, on November 17 issued an official statement regarding the affairs of the China Merchants Steam Navigation Company. The outstanding feature of the statement was an allegation that Marquis Li, who was deposed last week as manager of the China Merchants and taken into custody by the Chinese authorities, had broken down at a meeting of the directors of the Company held November 13 and admitted that he had paid out 14 checks of Tls. 50,000 each, namely Tls. 700,000 in all to Chen Fumo, government supervisor, in order to induce the latter to sign the agreements with the China Realty Co., and which the Nanking Government has declared invalid. Chen has in the meantime departed from China, going first to Hongkong and possibly to Singapore. The Nantao Court has issued a summons to have him return to Shanghai but has not been able to serve it. Li was for a while detained in a private house by the Chinese authorities, who stated that they wished to treat him with some consideration because he comes from a distinguished family, and also because they believe him to be the dupe of other parties. He has since been released on $60,000 bail—originally set at Tls. 700,000—but according to report is still in a hospital in Chinese territory. The Government has published the complete texts of the agreements made with the China Realty Co. and has also made public a letter from the Hongkong & Shanghai Bank to Marquis Li in which the Bank under date of Nov. 15 pointed out that the handing over of the China Merchants wharves to the China Realty Co. was in violation of a deed of mortgage dated Dec. 27, 1923, between the Bank and the China Merchants in which it was provided that if default was made by the latter, the Bank was entitled to take possession of the Company's property; the Bank therefore gave notice that they could not allow the arrangement made by the China Merchants with the China Realty to interfere with the Bank's interests.

The Government, in its statement, cited among other objections to the Li-C.M.S.N. agreements, that they were made without the knowledge either of the Government, which is controlling the Company, or of the shareholders. No report was ever submitted to the Government until more than two months after they were made (Sept. 5 and 6) when the Government appointed a new general manager. The statement cited the fact that the recent Municipality Loan of only $6,000,000 had to be approved by the Executive Yuan, confirmed by the Political Council, and formally promulgated by the National Government, and therefore it was obvious that agreements covering Taels 30,000,000 and representing many times the capital of the Company and completely disposing of its most important properties for thirty years, could not be carried out without confirmation of the Government and publicity in the press.

The Government's statement rejected the insinuation that the Government employed force to take back the wharves from the China Realty Company. Instead of sending a Chinese to take back the wharves, a foreigner, (British) R. C. Howlett, was sent to recover the wharves.

The complete story of the deal made by Marquis Li is contained in four agreements, namely a wharf loan agreement, a lease agreement, the Bund property loan agreement and the agreement for steamers. The Chi Yu Real Estate Co., was a party to the wharf loan agreement. The other agreements were solely between the China Merchants, for which Marquis Li signed in his capacity as chairman of the board and general manager, and the China Realty Co. The agreement regarding steamers mentioned the Dollar Company, but it is not alleged that the Dollar Co. had been a signer of any agreement. Indeed the copy of the steamer agreement released by *Kuo Min* does not show that it had ever been signed either by the China Merchants or the China Realty Co.

Summary of the Four Alleged Agreements

The following is a summary of the contents of the above-mentioned agreements:

The China Merchants' Steam Navigation Company was to mortgage its principal Shanghai wharf properties to the China Realty Company. With the wharves as security, the latter was to cause to be issued "at its discretion" 20-year debentures of nominal value of $10,000,000. A further loan of $10,000,000 was to be similarly issued on the security of the Bund properties of the China Merchants' Company, running from the Bund to Szechuen Road along Foochow Road. The loan proceeds were to be used mostly to pay debts of the China Merchants' Company, and for building construction on the Bund property. The debentures were to be underwitten by the China Realty Company at 85 per cent. The China Realty Co. would receive not only the usual underwriting profits from any price received from selling the debentures at more than 85, but in addition a commission of 2½% of the par value, manely the $500,000. The China Merchants' Company would thus only receive 82½% of the nominal value of the loan. The loans would bear interest at 9% per annum. The interest cost of the loan, which is secured on some of the most valuable Bund and waterfront lands located in the International Settlement, the French Concession and Pootung, would amount to more than 12%.

The documents contain no definite provision for amortisation of the loans. There would be "an Amortisation Account" for the wharf loan, into which would be paid certain rental and other income from the properties, and 25% of the net profits made by the China Merchants' Company in its shipping business; also a similar account into which would be paid certain rentals from the Bund properties. It is stated in the documents covering each loan transaction that "the handling of the said Amortization Account will be under the exclusive control" of the China Realty Company for 20 years. The China Realty Company merely "agrees to use its best endeavors to utilize the said Amortization Account so as to produce the greatest possible profit" for the account.

The China Realty Company would receive "an agency fee" of 5% for collecting certain rentals and revenues from the properties.

The China Realty Company would have the first option to buy any of the properties in question in case the China Merchants' Company should decide to sell; and "in any sale" of properties, whether or not made by the China Realty Company, a commission of 2½% would be payable to the China Realty Company.

The Central, Lower and Eastern wharves, which form the most valuable shore property in Shanghai, would be leased to the China Realty Company for 20 years, with an option of renewal of another 10 years, at an annual rental of $300,000. No provision is made for increase in rental, as the properties grow more valuable with the passage of time and the growth of Shanghai. In addition, the value at the expiration of the lease of any improvements made by the China Realty Company on the wharf properties would have to be paid by the China Merchants' Company.

Building construction would be "under the exclusive control of the said Realty Company," and plans and specifications would be sent to the China Merchants' Company only "for their information and record." Also, "It is distinctly understood that all questions of a technical nature in regard to design or construction of the buildings shall be passed upon solely by the said Realty Company."

An alleged agreement between the China Merchants' Company and the China Realty Company with respect to steamers contemplated that the Dollar Steamship Company would receive a commission of 12½% (twelve and half per cent) on the purchase of not more than 30 steamers for the China Merchants' Company. Such steamers, it is provided, would be the property of and be operated by the Dollar Company until fully paid for. The transaction would have as security the net revenue from operating the vessels and also all the outport properties of the China Merchants' Company, subject to release of existing mortgages. It was furthermore contemplated that the ships to be purchased would fly the American flag even though owned beneficially in part by the China Merchants' Company. Furthermore there is a provision to the effect that the ships "will be exempt from any laws that may be enacted by the Chinese Nationalist Government regarding foreign-owned vessels operating in the coast and river trade in China."

Recognition Out of Question

Commenting on the loan agreement, which has caused so much stir, Kao Ting-chu, Director of the Navigation Department of the Ministry of Communications, expressed the opinion that enforcement of it would spell ruin for the China Merchants Company and that recognition of it by the National Government was out of the question. O. S. Lieu, general manager of the firm, commented that the company represented a "benevolent society," there being a large number of idle people standing in

62-622

every room. He said that besides the liquidation of the company's debts, rehabilitation work was urgently needed.

In reply to a question from Chinese press correspondents Chu Chia-hua, Minister of Communications, stated that, as announced, the Government stood ready to acquire the shares of the China Merchants Steam Navigation Company at the price of 50 taels per share, although the average market price for the past three years was only around 30 taels. He categorically denied the rumor that the Government is compelling shareholders to sell their shares. He said that all those who wished to keep their shares and trust to the future might do so.

Offices for the registration of the shares have been established at the corner of the Bund and Foochow Road, and its branches at Nanking, Tientsin, Hankow, Canton and Hongkong. Shareholders will be asked to register with the company between December 1, 1932, and February 28, 1933. Mr. Lieu emphatically denied the report that non-registration will result in the nullification of these shares. According to a Nanking telegram, an amount of Tls. 2,200,000 has been set aside by the Ministry of Finance as the initial expenses for the rehabilitation of the shipping firm.

The negotiations between the China Realty Company and the China Merchants are being continued. According to a spokesman of the shipping firm, the China Realty Company may agree to the nullification of the Tls. 30,000,000 loan agreement upon the return of certain money already advanced, and the payment of compensation for the non-performance of the agreement.

Messrs. Zee Tse-ih, Loh Ying-fu and Wu Tung-ching have been appointed secretaries of the shipping firm. In order to clear the salaries in arrears by the end of this month, the accountant has been asked to set aside funds for this purpose. The Chih Yu Realty Company, which deals with the China Merchants estates, and the shares of which are included in the sets of China Merchants shares, has been taken over by the new board of directors.

Chen Fu-mo, until lately vice-Minister of Communications and Government Supervisor of the China Merchants S. N. Co., telegraphed from Hongkong several days ago in reply to Dr. Chu Chia-hua, Minister of Communications, concerning the four alleged China Merchants loan agreements, to which Chen had affixed his signature. Chen contends that it was in conformity with regulations of the Company that he approved these agreements and that in doing so, he was acting perfectly within his scope of authority. As a matter of fact, he said during his tenure, he had approved "hundreds of documents" of a similar nature in accordance with the same procedure. Moreover, he contended, owing to financial difficulties, the Company had frequently to have recourse to mortgage loans. It had however never been the practice of his predecessors to report such loans to the Ministry. He further pointed out that as there were other mortgages on the properties of the Company, the parties had deemed it necessary, in order to avoid complications, to keep the agreements secret until the necessary arrangements were completed. He added that he could not have foreseen that the Government would take over the Company.

Marquis Li and the Two Lord Li's

Marquis W. H. Li (Li Kuo-chieh), mentioned so prominently in the China Merchants case, is a hereditary marquis, or the real heir of Viceroy Li Hung-chang, he being the eldest son of the eldest son of the famous statesman. Another son of Viceroy Li Hung-chang is Lord Li Ching-mai, who is so well-known to many foreigners in Shanghai. Lord Li, whose title is Choh-ye, or Lord, was formerly Minister to Germany and Austria. Lord Li Ching-fang, or Li Po-ying, is not really a son of Viceroy Li—actually, he is an adopted son. Lord Li Ching-fang, who was once Minister to the Court of St. James and, later to Japan, recently returned to Shanghai after living for some years in retirement in Dairen.

Definite word has not so far been received as to the movements of Chen Fu-mo, former Vice-Minister of Communications who is alleged to have approved the ₹30,000,000 contract between the China Merchants' Company and the China Realty Company, Federal Incorporated, U.S.A. His address in Hongkong, if he is still there, is not known.

The History of Chen Fu-mo

Chen Fu-mo, according to the *Social News* (a Chinese biweekly newspaper) is a native of Kwangtung and a brother of the late Chen Chu-lin who was assassinated at Canton some years ago together with the late Liao Chung-kai, th noted Kuomintang labor leader. Mr. Chen started his career as a newspaperman in Hongkong where he served for a time as editor of the *Sin Wan Pao* (published in Hongkong), official organ of the then dominant Southern militarist, Gen. Chen Chiung-ming. Upon the fall of Gen. Chen from power when he was defeated and driven out of Kwangtung by Gen. Chiang Kai-shek, Mr. Chen deserted the Hakka General and rallied to the standard of Liao Chung-kai, a staunch supporter of the late Dr. Sun Yat-sen. Through the influence of Mr. Liao, Chen came to Canton and was appointed chief editor of the *Canton Republican Daily News*. When Gen. Mao Tsi-tung, the well-known Communist Leader now opposing Gen. Chiang Kai-shek, was appointed acting Director of the Publicity Department of the Central Party Headquarters at Canton after the 2nd National Party Congress, Mr. Chen was threatened with removal from his office at the Canton party organ, but through the good offices of a mutual friend, Tseng Kuo-chun, he was permitted to remain in his post with the paper, which was only worth about $150 in Canton currency. Shortly afterwards, Eugene Chen replaced Gen. Mao as Director of the Publicity Department of the Central Party Headquarters and as a result Mr. Chen was also relieved of his connection with the paper. For a time, he found himself in a bad "fix" at Canton because of his loss of employment and presently left there for Hongkong where he was alleged to plot against the then Canton Administration, but without success. A short time later, he returned to Canton and obtained a connection with the Kwangtung Provincial Party Headquarters, but was soon ousted by the adherents of Gen. Li Chi-sen who was then dominating Southern China, and had again to go back to Hongkong to wait for further opportunities. After the Communist uprising in 1926 at Canton, Mr. Chen once more ventured into the City of Lambs to fish in troubled waters, but again without success. Shortly afterwards he again went to Hongkong where he was alleged to have become associated with a certain political faction which advocated the reorganization of the Kuomintang. During the Northern Military Coalition at Peiping in 1930, Mr. Chen was sent North by the alleged political group to participate in the activities of the Coalition Regime, but again met with misfortune. After returning to Hongkong following the collapse of the Northern Coalition, Mr. Chen was alleged to have also tried his luck at the Kuomingtang Extraordinary Session at Canton during the split between Canton and Nanking in 1931, but likewise met with no success. At the end of last year, Mr. Chen came to Shanghai and joined a certain political group called the "A. B. Society." Through the influence of that society and Gen. Chen Ming-shu, he was appointed vice-Minister of Communications and concurrently Government Supervisor of the China Merchants Steam Navigation Comyany. He held these two posts for nearly ten months and recently resigned when Dr. Chu Chia-hua became Minister of Communications.

Cantonese Protest Against Portuguese Action at Macao

Public bodies in Canton are stated to strongly resent the allegedly high-handed action of the Macao authorities concerning what is known here as the Wang Chien incident and are requesting the Nanking Government to take "positive action regarding the attempted usurpation of Chinese territory."

The "people's foreign affairs association of the southwest province," in a telegram to Nanking, recalls that the Chungshan district government sent a surveyor to ascertain the boundary limits of Wang Chien village and places bordering Macao, the authorities of which are stated to be attempting to occupy the village.

Without justification, it is charged, the surveyor was arrested by the Macao authorities and court-martialed aboard a Portuguese gunboat. The telegram says that Wang Chien village is within the boundary of the Chungshan district and argues that since it is Chinese territory a foreign country should not be allowed to occupy it.

Legislative Yuan Will Go into Recess Nov. 26

The two-year term of the present members of the Legislative Yuan will expire on December 19. The Yuan is going into recess on November 26 and no further meetings will be held until the new members are appointed by the Central Political Council. It is understood that a number of the present members will be reappointed.

Is the National Crisis Over?

BY C. Y. W. MENG (孟昭洙)

WHEN Mukden was invaded and occupied by the Japanese forces on September 18, 1931, and three Northeastern provinces (Manchuria) were lost in rapid succession, the National Government informed the country that China is now facing a "crisis," and in every telegram, speech, slogan, etc., the Government always urged the people to unite to present an undivided front against the foreign aggression. When the hostilities broke out in Shanghai between the famous 19th Route Army and the Japanese forces, the National Government removed its capital to Loyang, following the footsteps taken by the French Government in removing its capital on the eve of her declaration of war against Germany in 1914. Since then, Ling Sen, Chairman of the National Government, has been in Loyang together with some officials. Here again the question of accommodation and facilities is the problem, as Loyang is only a country place, though it is a place of historical significance. Most of the officials are not accustomed to live in such a place.

The removal of the capital to Loyang was subject to much criticism—both favorable and the reverse. On one hand, it is pointed out that the action was right, for it indicated that China was determined to oppose the foreign invasion, irrespective of its consequences, should the situation drive her to take no other alternative than to go to war with Japan. On the other, it is pointed out that in removing its capital, the National Government was merely revealing its cowardice and lack of courage to face the situation. However, it is not the purpose of this article to discuss these criticisms. So far as our opinion is concerned, we favor the removal of the capital, as this would greatly facilitate and encourage our preparation for the "prolonged resistance."

If the removal of the capital to Loyang was animated by such a motive, the removal of the capital back to Nanking could only be decided by the subsequent situation. That is, when the Sino-Japanese crisis is over, either through international good offices, or by direct negotiation with Japan, whereby the "lost territory" is either recovered to China, or ceded to the invaders. But pending the definite conclusion of the Sino-Japanese crisis, no one is in a position to say what would be the next development of the situation, and therefore, it would be illogical and irrational to take up such a question at the time when the situation is still hanging in balance.

Capital to Be Removed Back to Nanking December 1

To our great surprise, a proposal for the removal of the capital to Nanking, which was headed by General Chiang Kai-sheh and signed by 24 others was actually adopted by the meeting of the C.P.C. (Central Political Council) according to which the capital would be removed to Nanking again on December 1, 1932, while Loyang would remain an auxiliary capital of China.

It is further strange to note the speech of Ho Yin-ching, minister of war, who was quoted to have said that "the national crisis is now over," and as to the salary payments (we suppose he meant to the staffs who for the past weeks have been demanding more pay) he announced that they would have been made in full had it not been due to the fact that the military circle is still short of one million dollars per month; and he is further quoted to have said that as soon as some of the troops are disbanded whereby more funds would be available, payments would be made in full.

Is the Crisis Over?

We would like to question General Chiang and General Ho and all those who proposed and agreed to the removal of the capital back to Nanking: Is the crisis over? Has the "lost territory" already been taken back?

At present, the volunteers are still fighting as vigoronsly as before, with the Japanese forces in every district in Manchuria taking advantage of the cold weather in the districts where snow is as high as a man, for the invaders could hardly stand the cold weather, while the Chinese northerners are very accustomed to such weather. Despite periodic victories which the volunteers have been able to score over the invaders, it by no means indicates that the recovery of the lost territory is in sight. Japan has sent 100,000 men to fight the Chinese in Manchuria, and is reported to have sent more in the past few weeks. It is also clear to every layman that the volunteers whose bravery is certainly admirable and whose resources are very limited, could not stand longer than several months of fighting unless the Central Government quickly take some definite action, either to help them to fight or to end the Sino-Japanese dispute. The present Japanese policy in Manchuria, as is understood by everybody, is just to defend the territory along both sides of the railways rather than to attack the volunteers, and by prolonging the warfare, and by cutting off the supplies from other parts of China by the periodic invasion of Jehol through which the supplies would go to Manchuria, the Japanese hoped the Chinese volunteers would soon be exhausted in energy and materials and would be unable to fight in the near future, so that when spring comes and the weather would be more favorable to the Japanese, the invaders would renew their vigorous attacks on the volunteers.

Turning to the situation in the north China, we find that Japanese military activities on the border of Jehol are reported practically daily. The number of the Japanese gun-boats in the Chinese waters, noticeably in the Yangtse River, is increasing. What are the Japanese intending to do?, one asks.

Turning our attention to the League of Nations, we find that the Council's meeting would be held on November 21, to study the first eight chapters of the Lytton Report, leaving on table the last two chapters which embody the recommendations. The meeting would last about two weeks. The Council might make some recommendations which would be presented for the consideration of the Committee of Nineteen. After that, an extraordinary session of the League would be held sometime in January 1933. Whether the League would appoint a "Far Eastern Committee, or International Committee" to settle the Sino-Japanese dispute would be decided by that time.

Far Eastern Committee—League's Gesture of "Marking Time"

While details of the proposal from Geneva for the appointment of the Far Eastern Committee, have not been divulged, it is said that the proposed committee would include representatives of non-members of the League, notably Soviet Russia, and the United States. It would have the advisory capacity of the conference suggested in the recommendation of the Lytton Report. It is also pointed out that it may be no more, than a "feeler" put forth by the invitation to China and Japan to discuss a solution of the dispute on the line indicated in the penultimate chapter of the Report.

While wishing to express our thankfulness to the League to propose so many ways out of almost impossible situation, to solve the Sino-Japanese dispute, we must point out the fact that such a proposal is only another League gesture with the purpose "marking time." We realize full well that the League is now also facing a crisis since its coming into existence, hence the best policy and action the League could take is "wait-and-see" and a policy of "procrastination." By appointing the Far Eastern Committee, the League is merely waiting the inauguration of the Roosevelt administration in the next spring when American policy in the Far East would be made more definite.

The formation of the Far Eastern Committee certainly has many advantages to the League and Japan but much deteriment to China. First, by admitting the non-members into the committee, the committee is not considered as the committee of the League of Nations. In case of conflict, arising from the discussion, between the Japanese and some members of the committee, the League would claim that it is only a conflict between the Japanese and some members of the Committee, not with the League istelf. It the Japanese delegates withdraw from the Committee, the League would say that it is only a withdrawal from the Committee, not from the League. Secondly, by making the Committee to handle and settle the Sino-Japanese dispute, the League aims at avoiding the holding of the assembly to come into direct contact or clash with the Japanese. At present, Great Britain, France, Italy and Japan are in control of the Council, while the small powers dominate the assembly of the League; the policy of the former is a policy of procrasturation, but that of the latter is radicalism. So the present policy of the League is to avoid the holding of the assembly fearing that the small powers might introduce many resolutions and, by virtue of their majorty, might adopt resolutions which would put the League in a most awkward situation!

Chinese Government Railways

Shanghai-Nanking and Shanghai-Hangchow-Ningpo Lines

From Shanghai to Nanking: 311.04 Kilometers

From Shanghai to Hangchow: 189.57 Kilometers

The Shanghai-Nanking Line extends from Shanghai, one of the greatest seaports in the world, to Nanking, the seat of the Nationalist Government of China. Short as it is when compared with the other trunk Lines in China, it serves a rich and densely populated district of preponderant importance, politically, as well as commercially and industrially. The whole Line is dotted over with points of known scenic beauty too numerous to be all mentioned here. Tourists and travellers should utilize the train service of this Line at least to visit Soochow, known as the "Garden City of the Orient," Wusih, the picturesque city on Lake Tai-hu, Chinkiang, the "Gate of the Yangtze River," and Nanking, a city rich in historic remains with the new grand Mausoleum of modern architecture for Dr. Sun Yat Sen, Founder of the Chinese Republic.

The Shanghai-Hangchow-Ningpo Line runs southwestward from Shanghai through a tract of beautiful places. At Lunghwa one will see the famous Pagoda with a long history attached to it; at Sungkiang, the observatory of the French Fathers at the summit of Sha Shan and the grave of General Frederick Ward; at Kashing, the South Lake and the Three Pagodas situated about two miles from the station; and at Hangchow, the present terminus of the Line from Shanghai, the renowned West Lake which called forth highest praise from Marco Polo, with such picturesque surroundings that it has been well called the "Switzerland of China." Tourists! A visit to Hangchow by the comfortable trains of this Line will give you the utmost satisfaction of travel and untold pleasure of sight-seeing.

For further information apply to the Traffic Manager of the two Lines at Shanghai North Station.

62-625

To Japan, such proposal and such policy of procrastination as taken by the League are welcome, for they are advantageous to her. It would give Japan more time to accomplish what she alleged to be already "fact accompli." The League decided to appoint an Enquiry Commission to come to China to investiate the Sino-Japanese dispute on December 10, 1931. It took them ten months for the publication of the report (October 3, 1932). When the Far Eastern Committee is appointed, it might take many months for the adoption of the organization law, the appointment of members, etc. It might take another many months for deliberation and hot debates, and the appointment of sub-committees, etc. It might take another many months for the delegates to ask for approval from their respective governments, etc. While all these are going on, Japan has accomplished what she alleged to be "fait accompli," and when she is asked to withdraw from Manchuria, the first argument that she would present would be her principles of "fait accompli," and these followed by many other old and plausible arguments, such as Japan's special rights in Manchuria, Japan's efforts to save Manchuria from being Red, etc., and the last word we would hear would be the withdrawal of the Japanese delegates from the Committee. Then the case might be referred to Geneva, and it might take another many months and years to report the same procedure, with no result in the end.

In this connection, it is most curious to note why the Chinese Government is always willing to agree to whatever proposals that the League might make, which only result in the postponement of any definite action which should be taken by the League. This is apparently due to the fact that China has adopted a policy of "relying upon others," but not a definite policy of her own.

What has been said is merely to show that the Sino-Japanese dispute is by no means settled—not a small fraction of it! China has relied so much upon the League, but now the League has proved itself incapable of upholding justice; it is not a court of international justice but it is only a tribunal of mediation. What the League is doing is to prolong the situation in order to avoid coming to a clash with Japan. The recovery of the "lost territory" has in the end to depend on the determined efforts of the Chinese themselves! Under such circumstances, we challenge these leaders as to why they say and consider the national crisis is over, and why they propose and agree to the removal of the capital back to Nanking?

Nanking's Mistaken Move

In taking such a step, the National Government has created many bad impressions in the people's minds.

(1) It give rise to the presumption that the Chinese Government has abandoned the much-talked of prolonged resistance.

(2) The removal back of the capital at this time is tantamount to an indication of the government's desire to giving up Manchuria to Japan, having no intention to recover it by our own efforts when the League fails in its efforts.

(3) It has greatly weakened China's case in the eyes of the world.

We consider such a move as very "illogical and irrational" as well as a great "blunder"!

We must admit, however, the fact that the removal of the capital to Loyang is only in name, as all the government leaders, except President Lin Sen, are now in Nanking, and the regular meetings are now being held in Nanking, hence, why not have it removed back to Nanking? But our answer is that "in name" is better than nothing. As the capital was already removed to Loyang ten months ago, it is not the time now to remove it back. If the so-called "important men" (要人) have nothing to propose and the meetings have nothing to discuss, let them propose and discuss the "rural bankruptcy" facing the Chinese farmers today which is far more urgent and important than the question of the removal of the capital back to Nanking!

What has disappointed us the most since the outbreak of the Sino-Japanese crisis is the present tendency in the Chinese attitude towards the Manchurian situation as taken by some of these so called "important men." It is somewhat as follows: China has put her case before the League, and entrusted the League to settle the case for her. If, as a result of the League's efforts, Manchuria could be recovered to China, so much the better. If not, China would take it back "later," believing that after a few years of preparation, China would be stronger than Japan and would be in a position to challenge her. So we are reliably informed that some of the so-called "important men" in the government agree with the recommendations embodied in the Lytton Report. Wang Ching-Wei, ex-president of the Executive Yuan, who voiced his opposition, has now retired from politics and is taking a trip abroad.

It is unnecessary for us to argue with these "important men" on the fallacy of their mental imagination, we just like to point the fact that if China would make preparations, Japan would also do the same at the same time. While China has made improvements and progress in the war preparations, Japan has gone far ahead of China. If the Government really intends to take back the lost territory, fight for it! If not, it is better to admit that she is ready to give up the territory to the invaders, so that it would save unncessary loss of lives to the Chinese in Manchuria. If these "important men" are really unable to cope with the situation, let them pick up their belongings and leave Nanking to go to their palace-like residences in the foreign settlements or concessions, and let the people themselves handle the situation. We are by no means satisfied with the present policy and action that the Government has been taking in dealing with the Manchurian situation, and we are particularly indignant to hear such words as "the national crisis is over." As a matter of fact, the coming months are the most critical moment in the Sino-Japanese dispute, and China should, in fact, prepare herself for the coming life-and-death struggle with Japan!

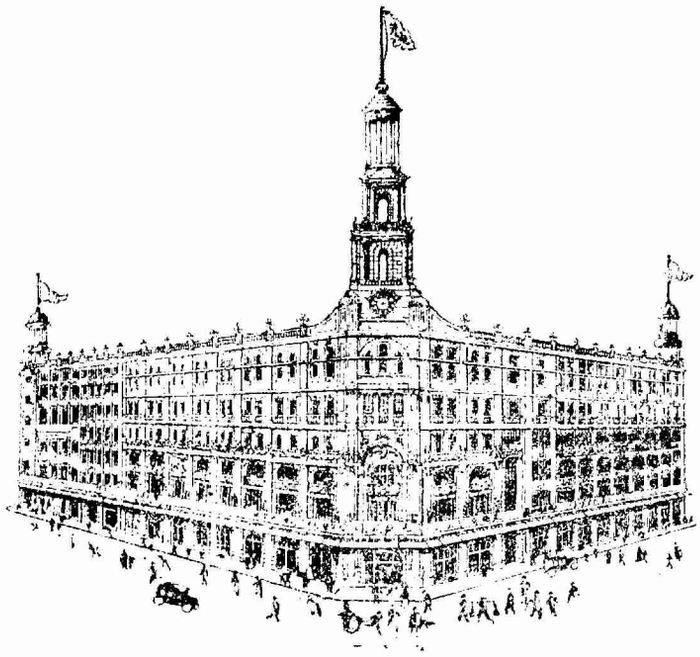
Soochow, November 20, 1932.

Rotarian Speaker Describes China's Wheat Trade

Arthur Eveleigh, manager of the import department of Burkill & Co., addressed the Shanghai Rotary Club November 10 on "Grain Imports into China." Mr. Eveleigh devoted himself mostly to the item of wheat. He mentioned that the Shanghai flour mills draw their supplies of Chinese wheat from six of the provinces around Kiangsu, as well as some supplies from the Yangtze River Delta. The natives of Shantung and Anhui Provinces live mainly on wheat and millet, and it is only during good or abundant crop years that these provinces have a surplus for export to Kiangsu. Naturally for such a wide area as the six provinces growing wheat, an area almost equal to continental Europe, there is a great variety of the grain. The main characteristic, however, of Chinese wheat is its similarity to the American grain known as Western Red No. 2 and somewhat like the Canadian grain Manitoba No. 2 and No. 3. In some parts of Anhui Province they grow a white variety, but it has rather a smaller kernel than the Australian. Little, if any, hard winter wheat is grown in China, although North Manchurian wheat is very similar to that grain. Wheat is grown in China on small farms. A production of 50 to 100 piculs, namely 3 to 6 tons of the average Chinese farms, passes through many hands before it reaches the collecting depots upcountry, and all of this adds to the cost. There is also a lot of dilution and watering, and some samples of Chinese wheat contain between 3 to 5 per cent. of little mud pills specially rolled and mixed with the wheat. This work of making mud pills is generally done by the young children of the farmers as a profitable recreation. Rarely is a parcel of Chinese wheat offered in the market which is perfectly clean and of good standard weight. A fair average clean Chinese wheat would be worth about Tls. 10.10 per picul less than the value of Manitoba No. 8. There are two main characteristics in wheat—the high gluten wheat grown in colder climates such as Canada and parts of the United States and also in the Argentine. This hard grade winter wheat is more in demand for the North China trade, as the Northerners principally eat macaroni, noodles and other forms of flour paste. For Central and South China a lot of wheaten cakes are eaten and these markets require a tight flour of good white color. This is the quality mainly obtained from Australia although some of it is grown in the United States and is known as Western White wheat.

Threat to Kidnap Foreigner at Harbin

H. Baun, a Belgian citizen, who is the manager of the International Savings Society at Harbin received a letter in Chinese on November 15, signed "Well Wisher." It recommended him to take precautions both at his office and at home as well as on the way from one to the other as kidnappers had decided to seize him and demand a huge ransom. Mr. Baun was immediately provided with four Russian police guards.



WINTER
SALE
NOW ON

REDUCTIONS IN ALL DEPARTMENTS

THE SINCERE COMPANY
INCORPORATED IN HONGKONG
SHANGHAI

A Few Thoughts on the China Merchants' Affair

BY GEO. W. MISSEMER

WHATEVER criticism American or other foreigners may make as regards the attitude of the National Government with reference to the future of the China Merchants Steam Navigation Company the fact should not be lost sight of that the Chinese people are reacting towards this subject of shipping just as American, Japanese and most other people do. It is a foregone conclusion, almost, that the China Merchants under government control will not be as profitable an undertaking as if the scheme to have a foreign (in this case American) private interest had some measure of control over its destinies. In fact it is more than likely that it will be a losing venture, as T. V. Soong, the Finance Minister himself says that the object will not be to make money, and in fact it will be the policy to run ships on unprofitable lines for reasons of state. However, if the National Government loses money on going into the shipping business it will only be doing what the American government has been doing during the last decade or so, and the Chinese government must be very inept indeed if it makes any worse mess of it than the American government did.

The great trouble with the shipping business throughout the world is that it is on a false basis, and this applies to countries in general, many of which are poles apart in their handling of other issues, but equally unbusinesslike in the matter of shipping.

The Price of Patriotism

If China, as seems likely, is about to place an additional taxation burden on its people in order to extend the shipping under the country's flag, it is only doing what America, Japan, and many other countries are doing. Putting the matter plainly, the people of each country are made to dig into their pockets in order that they may have the pleasure of seeing more ships with their country's flag flying over them. It is a matter of pride first, not of business. The mere fact that the ships don't pay their way is a matter of secondary consideration. It is a remarkable fact that America and Japan, so unlike in other ways, are both in the same category when it comes to the matter of taxing their people both ways for objects which are diametrically opposed to each other, and now China is insisting on following their example. Patriotism—which in many of its aspects is merely the collective conceit of the people who compose a nation, (America, Japan, China or any other)—frequently costs out of all proportion to its value. China is trying her best to do in this matter of shipping what America and Japan both insist on doing, that is to try and keep the "foreigner" out, but in doing so they hurt nobody but themselves. Nothing could be more foolish than for any country to first put up high tariff walls and thereby seriously restrict the possibility of doing international business, and then at the same time build up large merchant lines, to run at a loss—principally for the reason that there is not enough business to go round, and the principal reason there is so little business is the restrictive tariffs which the countries themselves impose. In both instances the policy of the country is ostensibly to protect itself from the "'foreigner," but in reality it is the people within the country that foot the bill.

Real Test Should Be Efficiency

When China gets control over its coastwise shipping it will then impose on its merchants the same "privilege" that American and Japanese (among other) merchants have, that is, to pay double the rates of freight along their own coasts as they do when they ship to foreign countries.

May the day soon come when in all countries this idea of putting a burden on the masses of the country with the ostensible object of helping them may be exploded for what it is. The real test of operation in the shipping business, and in all others, should be efficiency, and the interests of the public at large—their real interests, not their apparent ones—not only in China but in all other countries. If this principle were applied a little more, and less heard about national prestige, the necessity of providing another kind of ships—namely warships—would very much decrease.

Shanghai, Nov. 21, 1932.

Reconstruction in China Proceeds Apace

Largest Radio Station in Asia Opened at Nanking

The new Central Radio Broadcasting Station at Nanking was formally opened Nov. 12. Chen Kuo-fu, member of the Central Executive Committee, presided at the inaugural ceremony. The present station is the largest in Asia and the third largest in the world. It has a capacity of 75 kilowatts and messages can be broadcast over a radius of over 3,000 miles. Programs will be broadcast from the Station daily over a wave-length of 440 metres; the call-signal is XGOA.

Boxer Funds for Railway Development

The Board of Trustees of the British Boxer Indemnity Refund was scheduled to meet on the Nov. 16 to consider the applications for loans made by the Ministry of Railways. For the completion of the Lung-Hai Railway, the Ministry is reported to be seeking a loan of £500,000 from the Board. It also applied for funds to be set aside as security for the issue of a public loan of $40 millions, the proceeds of which are to be employed for the completion of the Chuchow-Shiuchow section of the Canton-Hankow Railway.

Hydro-Electric Development on the Upper Yangtsze

Engineers of the Ministries of Communications and Industry and the National Reconstruction Commission, are conducting an inspection of the upper Yangtsze River to study the possibilities for hydro-electric development. It is understood that upon conclusion of the present tour, a Water Power Conference will be called by these three organs to discuss steps for realizing the project to construct a hydro-electric station for the harnessing of the Yangtsze for industrial purposes.

Agricultural Bank to Be Established at Tsingtao

Admiral Shen Hung-lien, Mayor of Tsingtao, has decided to establish an agricultural bank to provide loans for needy farmers. The institution, capitalized at $250,000, is to be managed by the merchants under the supervision of the Municipal authorities.

Completion of National Central University Auditorium

Construction work on the auditorium of the National Central University at Nanking has been finally completed. The auditorium has a seating capacity of 2,700. The two wings of the auditorium will be used as the general office of the University. The secretariat, accounting, registration, business and publication sections will be removed to the new building in the near future.

Reorganization of Aviation Department

The Aviation Administration of the Ministry of War is to be reorganized. The Administration which is now composed of seven sections will be expanded into five departments. The monthly appropriation will be increased to $200,000.

Highway Conference at Hankow Fixes Appropriations

After being in session for a week, the Highway Conference convened by the Commander-in-Chief's Headquarters held its closing ceremony at Hankow Nov. 10. The apportionment of expenses between the Provincial and local governments for the building of roads was agreed upon. Payments for the expropriation of land are to be borne by the district authorities while the Provincial Governments are to be responsible for 60 per cent of all other expenses. A subsidy to make up the difference of 40 per cent will be granted by the National Economic Council.

Proposed Highway in Kansu Province

Pai Sun-jen, a wealthy merchant of Kansu province, has offered to provide funds for the construction of a highway across the Liupanshan (mountain) in Kansu. The proposed highway will cross the mountain and link the Pingliang-Lanchow Highway with the road leading from Pingliang into Ninghsia.

Highway Construction in Honan

The construction of a highway from Pukow, Kiangsu, to Siayang, in Honan, has been approved by the Ministry of Railways. The Anhwei and Honan Provincial Governments have accordingly been requested to draft plans and raise funds for the building of the new road. The proposed highway will run south of the Lung-Hai Railway and will cut across central Anhwei into Sinyang, southern Honan.

Contract for Construction of Haichow Harbor

According to a Chinese report from Hsuchow the Siemens Company has been granted a contract in the amount of $1,000,000 for the construction of the Harbor at Haichow, the eastern terminus of the Lunghai Railway, which will eventually run from the coast into the far north-west of China through Sianfu, the Shensi capital.

Greater Shanghai to Build Rice Granary

The City Government of Greater Shanghai has instructed the Bureau of Social Affairs to establish a modern $300,000 granary with a capacity of 500,000 piculs of rice. The granary is expected to serve the two-fold purpose of relieving the farmers during the record harvest years and checking the excessively high rice prices during the famine periods.

Chinese Government to Reorganize Consular Service

A recent telegram from Nanking stated that drastic measures to reorganize and improve the Chinese consular service abroad are being taken by Dr. Lo Wen-kan, Minister of Foreign Affairs and concurrently Minister of Justice. The Straits Settlements consulates will be the first to undergo rigid investigation. Chu Ngoh-ziang, director of the International Affairs Department of the Foreign Ministry, has been appointed to conduct the investigation, and was due to sail from Shanghai during the week for an extended trip through India, Singapore, Medan, Sumatra, Batavia, Indo-China, Siam, the Philippines, and other districts where China is represented by consulates.

Minister of Communications Gives Views on Mackay Contract

Interviewed recently regarding his opinion on the Mackay Radio contract, Dr. Chu Chia-hua, the new Minister of Communications, said that the contract was detrimental to the interests of China in many respects. For this reason, Gen. Huang Shao-hsiung, the former Minister of Communications, had taken steps to cancel the contract, but after repeated negotiations with the Mackay Radio Company, no definite settlement has been made. Dr. Chu said that he was studying the contract himself. He expressed the opinion that if the Mackay Company could make further concessions, so as not to prejudice the Chinese interests, the Ministry might permit the contract to operate without insisting on its cancellation.

Government Steel Works Agreement to Be Signed Dec. 1

Formal signature of the loan agreement between the Ministry of Industry and the German Kondorfer interests for the construction of the Government Iron and Steel Works will be made at Nanking on December 1, according to Huang Chin-tao, Director of the Mining Department of the Ministry. Regarding the proposed site for the Works at Saddle Mountain (Ma-an shan) in Anhwei, Mr. Huang stated that aerial surveys are now being conducted by the military authorities.

Henry K. Murphy Addresses Shanghai Art Club

Henry Killam Murphy, former architectural adviser to the Nanking Government, and architect of many buildings in China, made an address before the Shanghai Art Club Nov. 11 on the adaptation of the architecture of old China to meet the needs of to-day. The lecture was illustrated by sketches of his drawings of buildings for the Nanking Government and buildings he has designed for other places in China.

Mr. Murphy in the course of his lecture said that as Classic and Gothic architecture were both used largely in present day buildings, he did not see why similar adaptations of Chinese archtecture should be denied. He therefore set himself the task of finding out what were the really essential elements of the Chinese style, in order to translate these qualities to meet the requirements of modern construction. These he found to be five, and his slides were chosen with a view to showing his audience how he had adapted them in his buildings. The most striking characteristic he found to be the curving roof, unbroken by dormer-windows of any kind. This is a feature which is realised only in China, and this feature was at once the envy and despair of builders limited to the roof-types of the Western world. Various other features of Chinese architecture were also emphasized by Mr. Murphy.

Szechuanese Charged With Being Terrorists

Twenty-three Szechuanese suspected by the Public Safety Bureau of Shanghai to be terrorists who attempted to take lives of prominent government officials including T. V. Soong, Dr. Wellington Koo, and Quo Tai-chi, were brought up on remand in the First District Court during the week. An order was made to have the accused handed over to the Chinese authorities. The men will be brought up for trial in the Nantao District Court.

Fukien Province to Raise $200,000 by Treasury Notes

Short-term treasury notes, to the amount of $200,000, are to be issued by the Fukien Provincial Department of Finance in order to tide over the present financial difficulties of the administration, according to a decision reached at a meeting of the Party, Government and military leaders as well as representatives of banking and commercial circles held at Foochow, Nov. 9.

Canton Proclamation Says All Firearms Must Be Registered

In an effort to keep banditry and crime down the authorities at Canton have ordered an inspection of all arms kept by citizens in the various districts of the province.

The proclamation on the subject contains the following provisions:—Unlicensed guns of citizens, protective corps and citizens' corps must be registered with municipal governments before December 15; guns on steamers and boats must also be licensed and registered with municipal authorities; unregistered firearms are subject to confiscation; an inspection of all arms kept for self-defence must be made by the authorities in the New Year after expiration of the date for registering them.

Capt Eisler Again Elected Commander of War Veterans

Captain W. I. Eisler, member of the marine surveying firm of Eisler, Reeves, Murphy and Lyle, was elected commander of the Shanghai Camp No. 1, United Shanghai War Veterans at the annual meeting held at the American Club Nov. 18. He held the same post during 1926 and was a charter member of the camp. Charles E. Pierce was elected senior vice commander with Charles R. S. Bryant, a life member of the camp, as junior vice commander. Hubert S. Honigsberg was made a trustee for the coming year, while Comrade Ah Sin was elected Officer of the Day and Comrade Mow Mow Officer of the Guard.

Local British Opinion to Be Consulted in District Court Settlement

Replying to a question in the House of Commons, Nov. 16, as to what steps are being taken to keep the Shanghai Municipal Council fully informed and its views on all points obtained in the negotiations for the revision of the District Court Agreement, Ramsay MacDonald, the Premier, replied that the British Minister would keep in touch with the leading members of the British community in Shanghai, including the British members of the Municipal Council, in connection with the matter. He added that the Minister will take account of their views as far as possible on all points which interest them before a decision is reached.

Severe Famine in Shensi Province

A recent telegram from Peiping stated that the drought and famine in Shensi is fast approaching the proportions of the famine of 1929-30. The orphanages in Sianfu, the Shensi capital city, are already filled to capacity with children from the famine districts of Sienyang and Wukung and the authorities are handicapped in their efforts to administer relief by the lack of funds. Yu Yu-jen, Chairman of the Control Yuan and a native of Shensi, has telegraphed to Li Hsieh, Commissioner of Reconstruction, requesting him to send subscription books to Nanking so that he may raise funds in the south and among Chinese abroad.

For Fast and Efficient Radio Telegraph Service to all Parts of the World Send

RADIOGRAMS

"Via CGRA-RCA"

RADIO IS THE QUICKEST AND MOST RELIABLE MEDIUM FOR ALL TELEGRAPHIC COMMUNICATIONS. IT HAS BROUGHT ABOUT RATE REDUCTIONS AND INAUGURATED NEW CLASSES OF SERVICE TO MANY COUNTRIES....

In CHINA file your messages

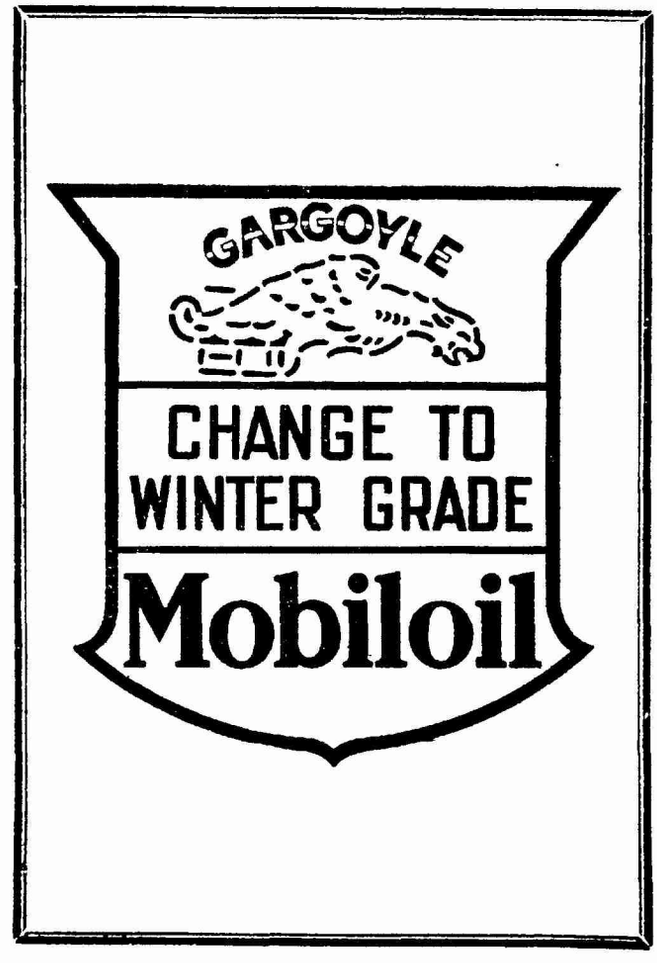
"via CGRA—RCA"

(Chinese Government Radio Administration
R.C.A. Communications, Inc.)

R.C.A. Communications, Inc.

(A Radio Corporation of America Subsidiary)

Office of Representative—Sassoon House—Shanghai.



Japan's Observations on Lytton Report

The following is the complete official English text of the summary of the Observations of the Japanese Government on the Report of the Commission of Enquiry appointed by the Resolution of December 10, which was presented to the Secretariat of the League of Nations in Geneva on November 20, 1932.

INTRODUCTION—GENERAL NATURE OF OBSERVATIONS

The Japanese Government express sincere appreciation of the endeavors made by the members of the Commission to make themselves acquainted with the details of a very delicate and complicated situation which presents many unfamiliar and novel features. They indicate, however, that owing to the shortness of the time available, the Commission could only acquire a superficial impression, and that in particular it is felt that if the Commission had visited other parts of the country, especially South China, their opinion regarding the Chinese situation would have been considerably modified. The Japanese Government disclaim any intention of entering into any meticulous criticism of details in the Report, which they recognise furnishes a valuable compendium of events. They limit themselves to the formulation of certain observations on matters of capital importance.

Evidence Especially as Regards Incident of September 18 and New State Not Adequately Sifted

They have not the remotest intention of casting any reflection on the conscientious nature of the Report. But they feel that the comparative weight to be attached to evidence has been wrongly estimated. It is apparent on the face of the Report that its findings are based on newspaper articles. letters of casual correspondents and private conversations, as well as on authenticated official material: and the right of elucidating the degree of credit which attaches to this miscellaneous evidence must be reserved. It is used invariably against Japan, and this is particularly noticeable in the sections of the Report which deal with the Incident of 18 September and with the establishment of the Independent State of Manchoukuo. In the former case it leads to a complete misconstruction of the motives which actuated the Japanese armed forces, and in the latter case to the presentation of suggestions for the future government of Manchoukuo which are consistent neither with the tenor of the remainder of the Report nor with the realities of the situation.

After these preliminary remarks, the Introduction closes with a disclaimer of any such bitter feeling towards the Chinese people as a whole as is suggested by some passages of the Report. Japan looks forward to ages of prosperous and friendly co-operation between the two peoples.

*
**

CHAPTER I.—CHINA

Excessive Optimism of Report

The Japanese Government acknowledge that the Report contains many just conclusions, flowing for the most part from observed facts. But those observations and conclusions are enveloped in a mist of optimism the glamour of which is certain to be misleading to anyone who does not know the true facts.

China Not Organized State

The Commission appear to be surprised by such statements as that "China is not an organized state", (p. 17) and that "China is in a condition of complete chaos and incredible anarchy." (p.17) They call attention to "an altogether different attitude than was taken at the time of the Washington Conference by all the participating Power", when in fact conditions in China were very disturbed. But if conditions were bad then, they are worse now. That most of the many contending factions from which the National Government at Nanking secure no obedience may aim at the ideal of a United China, of which each thinks to be the master is possible enough;—but that does not make China united, as the Report seems to suppose.

Events Have Belied Assumptions Made at Washington

At the time of the Washington Conference, it was possible to hope for an early restoration of unity and peace to China. Events have belied that hope. The struggles of rival militarists have become ingrained and endemic: the situation is wholly different from that of 1922.

Report Admits Powerlessness of National Government

The Japanese Government proceed to cite several passages in which the Report in emphatic and unqualified terms records the prevalent upheavals and dissensions in China, forcing the central government to fight for its very existence, and culminating in the statement that "not even the semblance of unity could be preserved" ... when powerful War Lords concluded alliances amongst themselves and marched their armies against Nanking", in a contest which in their eyes was "never an act of rebellion", but "simply a struggle for supremacy, ..." (p. 17). It is asked how these statements can be reconciled with others in the Report—e.g., that "the central authority is not, at least openly, repudiated" (p. 17). The struggles between rival War Lords are very far from having come to an end—several actual examples of this are cited, including the strife between Liu Wen-hui and Liu-Hsiang in Szechuen, which no efforts on the part of the central government have been able to terminate. Further, there now exists the formidable communist movement, which the Report admits has "become an actual rival of the National Government", possessing "its own law, army and government, and its own territorial sphere of action." (p. 23).

Condition Worse Since 1922

Upon this rapid review of the "disruptive forces", the continually controlling character of which the Report duly recognises, it is the conviction of the Japanese Government that, contrary to the view expressed in the Report that "considerable progress has in fact been made" since the date in the Washington Conference, an impartial examination will show that the condition of China is in fact much worse.

*
**

ANTI-FOREIGN ACTIVITIES IN CHINA

The admission of the Report is quoted to the effect that the progress of China has been "hampered by the virulence of the anti-foreign propaganda which has been pursued." (p. 18). The Commission remark that this propaganda is especially notable in two directions—viz. in the matter of boycotts and anti-foreignism in the schools. As the detailed discussion of these two matters is dissevered in the Report, the Japanese Government show that it is necessary, in order to appreciate the situation properly, to co-ordinate them, and to exhibit them as manifestations of one underlying spirit of hostility.

Propaganda in School

The National Government, permeated by acute anti-foreign feeling, are working earnestly to instil a virulent hatred of foreigners into the minds of the younger generation. Fifty millions of young Chinese are growing up under the influence of violent ideals, constituting a terrific problem for the future. The Nanking Government are doing their best to foster this alarming process, as is evident from the Report, which observes that "a perusal of the text-books used in the schools leaves the impression on the minds of a reader that their authors have sought to kindle patriotism with the flame of hatred, and to build up manliness upon a sense of injury" (p. 15)—and shows how the result has already been to induce the students to engage in violent activities.

Responsibility for Boycott

In the same way the Report recognizes that the Chinese boycotts have been the definite expression of a hostile attitude on the part of China towards Japan, and that they are consequently detrimental to friendly relations between those countries both from a psychological and from a material point of view. This confirms what the Japanese Government have always maintained, but they would add that the boycott has taken on the special feature in China of being employed as an instrument of national policy and as a lever by which to extort from other nations the abandonment of treaty rights. They concur with the Report in holding the Nationalist Party responsible for the boycotts, but they point out that it is not a mere political party in the Occidental sense, but a constitutional state organ, for whose acts the National Government must be responsible.

Returning to the necessity for co-ordinating these quasi-hostile activities of educational propaganda and the boycott, the Japanese Government emphasize the fact not brought out in the Report, that they are only two phases of one underlying phenomenon, the anti-foreign policy of the Kuomintang and the Nationalist Government. It is this avowed policy of theirs which has contributed to alarm foreign Powers and increased their reluctance to surrender the rights which constitute at the moment their only protection. The Report recongnizes that the Kuomintang and its "demands" have "introduced into the nationalism of China an additional and abnormal tinge of bitterness against all foreign influences" (p. 18). But this is to understate the case.

Official Threatening Declaration

The Kuomintang Party have time and again announced as their basic foreign policy the abolition of foreign rights and the unilateral denunciation of "unequal" treaties. They have repeatedly pledged themselves to the public to carry out this policy. They have carried legislation putting their principles into pratice. Their Law of December, 1929 provided for the abolition of extraterritorial rights as from 1 January, 1930, and in 1931 they announced their intention of abolishing extraterritoriality by other than diplomatic means unless a satisfaltory settlement could be immediately arrived at. And in fact regulations were then issued for the administration of justice in the case of foreigners. It will be apparent, therefore, that foreigners and their rights in China were faced with serious dangers prior to 18 September, 1931. And, as the Report observes, "Japan has suffered more than any other Power from this lawless condition" (p. 23).

ABNORMAL STATUS OF FOREIGNERS

The internal disintergration which lies at the very heart of the capital question of China, together with the state of constant insecurity to which the lives and property of foreigners are constantly exposed; the inculcation of hatred in the schools, and the anti-foreign propaganda among the adolescent; the perfected methods of boycott, to be applied to foreigners of one nationality or another; the unilateral denunciation of treaties, along with the rest of the measures derived from the theories of "revolutionary diplomacy",—all contribute to invest the problems which are presented by China, destitute as she is of a strong and united government, with an entirely special character, and prevent the application of usual methods of solution. Such anti-foreign characteristics as have been described—(unparallelled elsewhere)—have obliged foreign Powers to maintain a system for the protection of their right and interests at their own hand. They not only have extraterritorial rights, but police and administer whole "concessions" in Tientsin, Hankow, Shanghai and other cities, and maintain the necessary troops and ships to protect their rights directly by force of arms. Nor is this an empty form. There have been many occasions on which these troops and vessels have been actively employed.

Report Implies that China Does Not Discharge Functions of Modern Government.

It is thus clear that the position of foreign Powers in China is an altogether exceptional one, without parallel in other parts of the world. The Report itself admits that until the discrepancy between China's aspiratons in the field of foreign relations and her ability to discharge the functions of a modern government in the sphere of domestic affairs has been removed,—"the danger of international friction and of incidents, boycotts and armed interventions will continue" (p. 23).

The application of the "Peace Machinery" as constituted at present encounters insuperable obstacles in regard to such a country. The abnormal conditions prevailing in China, and the fact that the Powers refuse accordingly to modify the abnormal and extraordnary institutions above-mentioned, are sufficient proof of this.

*
**

CHAPTER II—MANCHURIA

Manchuria Not Naturally and Necessarily an Integral of China

The Japapneese Government remark on the failure of the Commission to realize that Manchuria is not naturally and necessarily a part of China. They observe that, on the contrary, its union with China has only been temporary and accidental, and they quote the published opinion of M. Escarra, an adviser to the Nanking Government, in *La Chine et le Droit International* P.240, to the effect that the bond between the two was a *"lien personnel,"* due to the fact that the Manchus occupied the Chinese throne,—a bond whose basis appeared with the fall of the Empire and which the Republic did little to strengthen. Even assuming that in this ambiguous post-Empire state of things, Manchuria must be pronounced to have been for the moment duly incorporated with China—a large assumption —the fall of the United Republic in 1916 signalised the break up of all unity of government in China. None of the governments arising in that vast area had title to supremacy over the rest, and the eventual establishment of a government at Nanking, and its recoghition as a legitimate government by the Powers, could not invest it with authority over regions such as Manchuria, which had never been subject to its sway. In point of fact, Chang Tso-lin never took orders from any of the various parties who from time to time seized authority in Peking, though he may have consulted their inclinations when it suited him to do so. "He seems," says the Report, "to have looked upon his relations with the government in the sense of a personal alliance," (p.28) and it gives many instances of his independence. The Report, indeed, argues that in adopting this attitude "he did not mean to be independent of China" (p. 28-29)— but in his Declaration of May, 1922, to the Foreign Ministers in Peking (printed in full in the Observations here summarised) Chang Tso-lin plainly states that the North-Eastern Provinces "are not recognised as territories of the Republic of China." His son, General Chang Hsueh-lians, has adopted essentially the same attitude. As the Report says, his "relationship with the Central Government depended in all affairs....on voluntary co-operation. Orders or instructions requiring unquestioning obedience would not have been tolerated. Appointments or dismissals against the wishes of the Manchurian authorities were unthinkable." (p. 30) The Report thus clearly demonstrates the entire independence of Manchuria under the Changs from subjection to, or interference by, any Chinese government.

Misgovernment Under the Chang Dynasty

The Commission note, while they somewhat extenuate, the maladministration that prevailed under the Changs. Their statement is effective, even in its studiously moderate form, as showing how the Manchurian people labored under an oppressive yoke of official and militarist victimisation, and how unlikely it is that any artificial Japanese stimulus was necessary in order to induce them to break it when the opportunity came. "Military expenses are estimated to have amounted to 80 per cent of the total expenditure," "All power resided in the hands of a few military men." "Corruption and maladministration continued to be the unavoidable consequences". The authorities further taxed the people by steadily depreciating the irredeemable provincial currencies." "Officials....used their power to gather wealth for themselves and their favorites." (p. 31)

Special Position of Japan

The "special position" of Japan in Manchuria, to which so much mystery is attached, is a simple matter. It is nothing but the aggregate of Japan's exceptional treaty rights, plus the natural consequences of her propinquity, geographical situation, and historical associations. Her interests there are exceptional, intimate and vital, and justify measures of self-protection on the standard principle laid down in the *Caroline* case that every act of self-defence must depend for its justification on the importance of the interests to be defended, on the imminence of the danger and on the necessity of the act. This special position of Japan does not give her, nor is it asserted to give her, a general and vexatious right of intervention in the administration of the country. But it creates a position in which she must defend herself with uncommon energy against military attack.

No Conflict with Local Sovereignty

This special position—economic, strategic and historic—is fully admitted in the Report. It observes, however, that it "conflicts with the sovereignity of China". Such is not the case, for it is well established that rights granted by a sovereign state in the exercise of its soveignity dod not "conflicts with", but on the contrary constitutes an exhibition of, that sovereign power. Nor can the special circumstances of fact which render Manchuria so important to Japan, possibly conflict with the local sovereignity. They only make it somewhat more liable than otherwise to the remote possibility of the occurrence of acts of self-defence—a liability to which the most powerful states must necessarily be subject, as is shown by the case of the *Caroline*.

Japan's Civilizing Achievements

The Report makes no acknowledgement of the civilizing work accomplished by the South Manchuria Railway under the Japanese management and control. It lays stress on the development of Manchuria effected by the influx of an industrious Chinese mualtitude. But this influx was not due (as it suggests) to an official Chinese policy, but to the attractiveness of Manchuria, in remaining free, owing to the presence of Japan, from the scourge of war. The ties of this new population with their old abode are, as observed by the Report, "chiefly racial and social." (p. 125) It is difficult to understand the emphasis which the Report places on the political effectiveness of this non-political, non-economic bond.

Attacks on Japan's Position

Although the Report says little concerning the enterprises and establishments of the Japanese in Manchuria, it is these that have been the objects of Chinese attack. The Report examines them (Chapter III) under the heads of:—

1. Encircling Policy against the South Manchuria Railway.
2. Obstacles to Leasing Land and Exercise of Other Treaty Rights.
3. Oppression of Japanese Subjects, especially Koreans.
4. The Assassination of Captain Nakamura.

SHANGHAI TELEPHONE COMPANY

The Business Community At Your Command

DO you realise what a real blessing a telephone is? Sitting comfortably in your office with the whole business community at your beck and call, and actually saving time, energy and money every time you life the receiver. . . .

Time . . . because your thoughts can instantly be transmitted to the individual in mind. Energy . . . in cutting down messages, transport, and interviews. Money . . . in a hundred ways, for *"time is money"* and if it were measured, a telephone would be proved the world's greatest business time-saver.

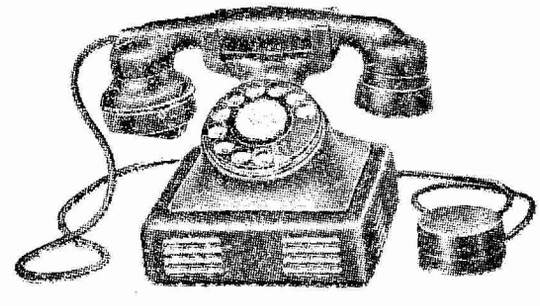
As to cost: A business telephone, less than 29 tael cents a day; a residence telephone, less than 18 cents a day. . . .

Consult the Business Offices Now:—

232 Kiangse Road *Telephone* 11400
1200 North Kiangse Road *Telephone* 41415

SHANGHAI TELEPHONE COMPANY

China Electric Company
LIMITED



Manufacturers and Importers of Manual and Automatic Telephone Equipment.

HARBIN SHANGHAI PEIPING
TIENTSIN HANKOW
CANTON HONGKONG

Shanghai Office: 230, Medhurst Road

62-631

Report Neglects All-Important Inference of Intentions to Annihilate Japanese Rights

But it deals with these matters piecemeal, and fails to coordinate them into one whole, animated by one basic cause: A fixed intention to annihilate Japanese rights in Manchuria. This is an all-important matter as showing the genesis of the incident of 18 September, 1931, and it is regreted that the telling summary of the various attacks upon Japan's position which is contained in Chapter II of the Report is left "in the air", and is not related, as it should have been, to the account of the origin of the Incident which is given in Charpter IV.

Background of Incident Cut Adrift

The summary in Chapter 11 shows that what the Report styles "a forward policy" had already been adopted in Manchuria before the union with the Nationalists, and that after that event Manchuria "was opened to well organized and systematic Kuomintang propaganda", (pp. 30, 31) the serious effects of which the Commission describe in detail. Nothing of all this is mentioned in Chapter IV (18 September Incident)—where the "forward policy" is indeed ascribed to the Japanese. The whole background of the incident is cut adrift. All the evidence of an aggressive determination on the Chinese side is discarded. It is replaced by a collection of surmises why the Japanese might be supposed to have been prepared for resumption of a "positive policy." The result is put before the reader in Chapter IV domestic discontent in Japan, instead of Chinese aggressiveness, as the cause of the incident.

Japan's Efforts to Lessen Tension

In fact, the Japanese Government were doing all in their power to lessen the tension, and to diminish the likely food of an appeal to force. Many instances can be given of the truculence and insolence prevailing in General Chang Hsueh-liang's army in Mukden, and it is instructive to notice that when the Japanese troops entered the North Barracks there, there was found on its walls a placard exhorting the men in garrison to "look at the railway running along the west side of these barracks!" It is little wonder that at this very spot the explosion was engineered by those very men. The paramount necessity of avoiding the smallest act which might explode the inflamable atmosphere must be apparent to every one who realizes the growing aggressiveness of the Chinese.

*
**

CHAPTER III

THE INCIDENT OF SEPTEMBER 18 AND SUBSEQUENT OPERATIONS

The account of the Japanese military authorities is upheld as entirely correct, and the Council are referred to it for certain details which are omitted from the summary of it contained in the Report. The conclusions advanced by the Report appear to follow neither from the Japanese nor the Chinese account, and seem to have been influenced by outside information. They recognize the fact of the explosion on the night of the 18th.. but they add that the damage done was not of itself sufficient to justify military action.

But, as has been already observed, the Report fails to bring out and take account of the state of acute tension which it admits to have existed, and it also misinterprets the fact that the Japanese army certainly had a plan to deal with such a situation as in fact arose. The former matter has just been dealt with. As regards the existence of "a carefully prepared plan to meet the case of possible hostilities" (p. 71) the Japanese Army undoubtedly had such a plan, and it would have been a gross dereliction of duty if it had not. It was faced by a numberically far superior force. outnumbering it by twenty to one, and possessed of a vast supply of *material*, including aeroplanes. To present itself from being overwhelmed, it had to have a plan which the execution, when once the alarm arose, was almost automatic. It was in fact, "put into operation with swiftness and precision," (p. 71) and property so.

Asserted Pacific Telegram

The Report draws an unfavorable contrast between the preparation of this plan on the Japanese side, and the supposed absence of plans on the part of the Chinese. It also refers to a telegram asserted to have been despatched on 6 September by General Chang Hsueh-liang instructing the troops, to avoid having recourse to force. Such a telegram, if indeed, it was actually sent and circulated, might have been cancelled or disobeyed, for Chinese discipline is notoriously bad. In point of fact, the Chinese did attack on that night and did continue to resist by force of arms. Indeed, the Report observes that there was no "concerted or authorized" Chinese attack, leaving it open to infer that there was an unofficial one. That "concerted or authorized" or not, put the Japanese emergency plan automatically in motion.

The Report adds that—"the military operations of the Japanese troops during this night—cannot be regarded as measures of legitimate self-defence." It is entirely impossible to accept this gratuitous opinion.

Self Defence Authorized

The statements at the time of the negotiations which led to the signature of the Briand-Kellogg Treaty for the Outlawry of War, made by Mr. Kellogg himself, "by the Senate of the United States, by the British Foreign Minister of the French and German Governments, clearly reserve the right of self-defence, and none contradict the observation made by Mr. Kellogg that "every nation is alone competent to decide whether circumstances require recourse to war in self-defence", which the British and French notes expressly corroborate.

The right to pronounce on the legitimacy of the Japanese military measures therefore rests solely with the Japanese Government.

The right of self-defence demands. according to Daniel Webster's standard definition, a case of "necessity, instant and overwhelming. allowing no choice of means and no instant for deliberation." With these conditions the Incident of 18 September precisely complies. There was the danger constituted by an overt act by members of a vastly superior force, capable, if not nipped in the bud, of driving the Japanese into the sea. There was no choice of means, what else was to be done? There was no instant for deliberation—open attack was already launched. The interests at stake were no less than the whole position of Japan in the Far East.

Unexpected Development of Self-Defence

It is as impossible as it would be unjust to make Japan responsible for further events which supervened on the Chinese resistance. There is no knowing how far resistance to measures of self-defence may develop, as was evidenced in the battle of *Navarino*, which was desired by no one, but which in the then state of tensions, was precipitated by a chance shot, with the most momentuous consequences.

Conclusion

In short. the whole series of operations were entrained by the putting into execution of a plan carefully prepared to meet the alarming eventuality of a Chinese attack. They had no relation to anything but self-defence, and the Japanese Government cannot allow either their necessity or their appropriateness to be the subject of discussion.

*
**

CHAPTER IV.—THE NEW STATE

It is first observed that the conclusion of the Report that "the maintenance and recognition of the present regime in Manchuria would be equally unsatisfactory" with the restoration of the former state of things, appears to have been reached with little reference to proved fact: anl regret is expressed that the Commission, giving little weight to the solemn declarations of the Japanese Government and the documents presented by them, have apparently listened to the opinions of unidentified persons and accorded credence to letters and communications of doubtful or unknown antecedents. Accordingly the Japanese Government proceed to enlighten the Council more fully.

Manchurian Independence No New Thing

Exception is taken to the statement in the Report that nothing was ever heard of the independence of Manchuria before September 1931. It is recalled that Manchuria has always constituted a special territory, geographically and historically distinct from China Proper. There was no power in the Republic to annex it to China Proper and its independence was at least twice proclaimed by Chang Tso-lin. The expensive ambitions and adventures undertaken by him and his successors and adventures with the misgovernment which that expense entailed, gave rise to a movement as *"Paoching Anmin"* ("Preserve the Frontiers and Give Us Peace"). From such a movement to independence in name as well as in fact was a trivial step. This movement is a historic fact: the leaders were Mr. Wang Yung-chiang and Mr. Yu Chung-han; that same Mr. Yu who, after 18 September, become the organizer of the "Self-Government Guide Board". It is surprising, therefore, that the Report should aver that independence movements had not been heard of. There was in existence this definite movement implying Manchurian independence of China Proper, and freedom from the misrule of the Changs.

Details of Recent Assertion of Independence

Coming to the actual establishment of the new state of Manchoukuo. the Report states categorically that its proclamation was inaugurated, organized and carried through by the Japanese: that the activities of the Japanese Headquarters Staff were marked, from 18 September onwards, by political motives; and that the General Staff in Tokyo lent the movement their assistance and gave directions to its organizers. The facts are otherwise.

When the creatures of General Chang Hsueh-liang disappeared, as they mainly did after the events of 18 September, 1931, local leaders began in the different districts to carry on the machinery of daily life: and the Japanese Army, whose imperative duty it was to do no more damage than was necessary in the exercise of their measures of self-defence, welcomed this incipient organization and assisted it by all means. That eventually such nuclei of administration coalesced into district, provincial and national bodies was very natural and even serviceable. That they should have developed into a genuine state is no matter for astonishment, and offers no occasions for invoking an imaginary Japanese stimulus. The movement already existed to get rid of the Chang dynasty, and this easily slid into a movement for disclaiming connection with China. It comported well, moreover, with another existing movement: viz. that which aimed at the restoration of the Manchu Dynasty. The Report itself admits that the movements in favor of local, provincial or state independence were the work of highly-placed Chinese, Manchus or Mongols: we need only name Dr. Chao Hsin-po, Mr. Yuan Chin-kai, Mr. Chang Yin-ching, Mr. Hsieh Chieh-shih, Mr. Yu Chung-han, General Tsang Shih-yi, General Hsi Hsia and General Chang Chin-hui. Chinese, Manchus, and Mongols alone composed the North Eastern Administrative Council—the germ of the new State. An examination of the dates will show how impossible it is that any Japanese authorities should have organized and stimulated an independence movement which showed itself active by 26 September—on which day the Fengtien Committee for Preservation of Order was already issuing declarations which contemplated the independence of Manchuria. Several other early declarations in a similar sense can be adduced. The correct inference is that the aspirations of the leading Chinese and Manchu inhabitants spontaneously and naturally found a sphere of action hitherto denied them on the disappearance of so objectionable an administration as that of the Chang dynasty.

Japanese Abstention

Neither the Japanese Government nor the Japanese Headquarters Staff gave these wider ideas any encouragement. Baron Shidehara. then Minister of Foreign Affairs. and General Minami, Minister of War, both issued instructions on 26 September strictly forbidding participation by the Japanese in various attempts to establish a new political authority in Manchuria: and in conformity with these instructions the Japanese, civil as well as military, uniformly abstained from interference. When the movement had finally established itself among the Chinese, Manchus and Mongols, of course the Japanese could no longer ignore it. The "Self-Government Guiding Board" was an institution not created until 10 November, and was under the management of a Chinese. Yet the Report represents it as an organ of the Kwantung Army Headquarters. This is a mere repetition of the allegations in the Chinese Memorandum, corroborated, according to the Report, by "reliable" witnesses, who are left unidentified, and it is completely at variance with the facts.

Argument Based on Presence of Japanese Troops

It may probably be true, as the Report says, that such a movement in favor of a change of government could not have been carried through but for the presence of the Japanese troops. But they were there merely in the exercise of a lawful right of self-defence—and if the independence movement took advantage of the conditions thus created, that altered in no wise the spontaneity of the movement. There are many instances in other Continents where independence

has been proclaimed in the presence of foreign forces, and where that independence has never been questioned.

Argument Based on the "Nine-Power" Treaty

It is true, also, that the Nine-Power Treaty of 1922 prevents the Signatory Powers from impairing the sovereignity of China. But it is irrelevant. If in the due fulfilment of her lawful rights, a Signatory Power finds herself in Chinese territory, she cannot be held responsible for the consequences. If these consequences impair Chinese sovereignity or integrity, it is not she who is to blame. Even supposing, therefore, that Manchuria under General Chang Hsueh-liang was really an integral part of China, still Japan cannot be answerable for the consequences of her proper and necessary action.

To deny that the present regime is to be regarded as the outcome of a natural and spontaneous movement, is to admit that all the evidence presented by Manchoukuo has been disregarded, including the "Histoire de L'Independence du Manchukuo" with its detailed and specific account of the many demonstrations which have set the seal of their approval upon the new government. It is repeated confidently that the movement was a genuine, spontaneous, peculiar and natural one. The old Crown Domain installed the descendant of its ancient chiefs, to secure it alike from the oppressions of its quondam militarist tyrants and from the anarchy of China Proper. Why this rational and natural step should be ascribed to the machinations of Japan, it is hard to imagine.

Attitude of Its Inhabitants

A striking feature of this part of the Report is the great credit attached to the 1500 leters of unidentified Chinese, all but two of which are said to be unfavorable to Manchukuo and Japan,—and little weight ascribed to official memoranda and to the petitions and declarations of responsible bodies which enumerate the grievances which the population had against the late administration, and give voice to its aspirations and its hopes.

Opinions of Various Classes and Races

Considering the vigor and activity of Chinese propaganda, it is really astonishing that only one in 20,000 of the inhabitants of Manchuria was moved to write against the new regime, and it is a fact that tells in favor of the latter. In the same sense stands the positive evidence afforded by assemblies, and delegations, all strongly in favor of Manchukuo:—this is all dismissed by the Report as due to the Japanese machinations, but, as has been already observed, it is surely intelligible that a people who had been systematically "squeezed," oppressed and defrauded by their rulers would not need the stimulus of Japanese threats and bribes to induce them to accept a government which at least offered them a chance of security for the products of their labor. The Report, indeed, systematically lays stress on every voice which is critical of the Manchukuo, and discounts or discredits every opinion—such as that of the Koreans and Mongols—which is favorable to the new regime.

General Acceptance by Population

Fortunately, the truth is more encouraging than the unfavorable picture drawn in the Report. It is unnecessary to enumerate the signal marks of acceptance which in spite of the efforts of the enemies of the Manchukuo, the population has continuously accorded to the new regime. It is a civil government, the first of this character that the people of the country have known since the Manchu Dynasty was overthrown, and this civil character stands out conspicuously in comparison with any of the autocratic militarist governments which at present bear rule in China.

Organization and Prospects

The Report thinks that, "after making every allowance," "there is no indication that the government will in fact be able to carry out many of its projected reforms," and it singles out the budget and currency reforms for special scepticism.

Contrast this critical attitude with that exhibited in Chapter I of the Report, where the attempts, mostly abortive, and program of Chinese reformers are appreciatively recorded. It will be noted that while China is given credit for having accomplished much, Manchukuo is coldly frowned upon as not very likely ever to accomplish anything. And this, although she has already really put several of her contemplated reforms in actual excution.

Attention is especially drawn by the Japanese Government to two points: the restoration of peace and order in Manchukuo, and the management of its finances.

Establishment of Order

The establishment of a new state is commonly attended by disturbances. In this case, the disbandment of vast regular armies in the employ of the old regime has turned them adritt to become bandits. Manchukuo is working hard to disperse the major hordes: the second stage will be the suppression of any minor groups which may remain, by police methods. The rapid improvement of the means of communication, and the organization of a regular police force, are proved facts, which will contribute to this end. Meanwhile, the work of suppression of the major bands is successfully proceeding. The forces of General Ma have been destroyed. Those under Generals Ting Chao and Li Tu have been driven into the remote regions north of the eastern section of the Chinese Eastern Railway. The strong bands of brigands which infested an area between the Mukden-Hailung Railway and the River Yalu, and which constituted the principal source of danger in South Manchuria, have been annihilated.

Bandits Receiving Support from China

Meanwhile, it is significant that all these soldier-bandits are receiving material support from China Proper; and that the operations of minor bands are more and more tending to be directed against foreigners, with the evident aim of casting discredit upon Manchoukuo. The final extermination of banditry cannot be accomplished in a moment, but it is expected that the principal hordes will be dispersed within a reasonable period of time.

Finance

As regards the financial aspect, for the first four months of its existence (1 March to 30 June, 1932) the receipt and expenditure of Manchukuo were 9,300,000 *yuan* and 9,100,000 *yuan* respectively, showing a credit balance of 200,000 *yuan*. The budget for the fiscal year 1 July, 1932 to 30 June, 1933 shows an income of 101,000,000 *yuan* and an expenditure of 113,000,000 *yuan*: while this infers a deficit of 12,000,000 *yuan* the budget allows for an emergency reserve fund of 15,000,000 *yuan*, so that the situation is very satisfactory. The Central Bank has a sufficient capital, has maintained its paper

亞林臭藥水

"OLING"

Disinfecting Fluid

To protect yourselves against dangerous, invisible germs, to prevent the spread of infectious diseases, it is always necessary to spray

"OLING" DISINFECTING FLUID

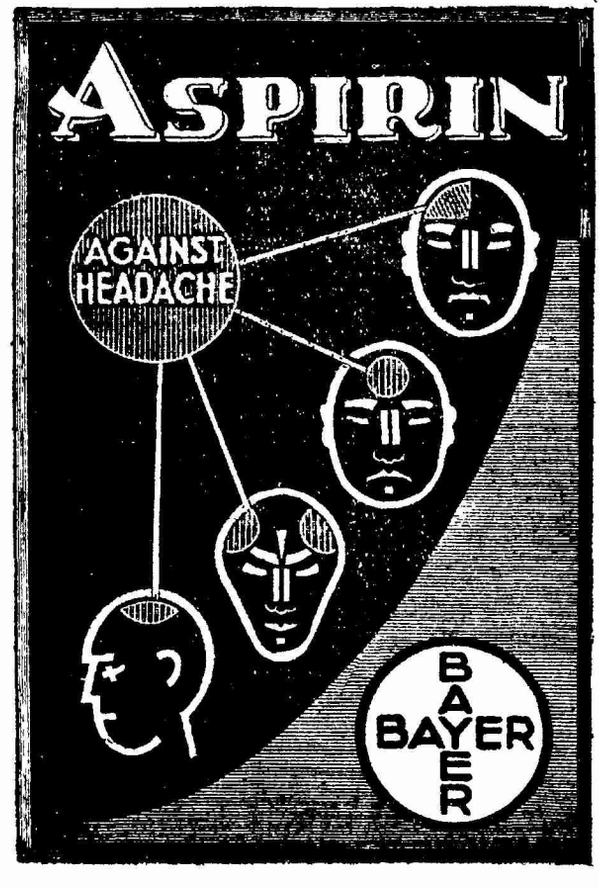
Obtainable at

All Dealers or from

INTERNATIONAL DISPENSARY

581 Foochow Road, Shanghai

五洲大藥房



currency at par, and has stabilized the currency, the circulation of which is very normal. It may be remembered that this shows a signal contrast to the actual state of things under the Chang Dynasty. Having an excess of exports, Manchoukuo imports a large amount of silver, so that it can easily maintain the value of its currency.

Opinion of Japanese Government on Prospects of Manchoukuo

The prospects of Manchoukuo, the Japanese Government consider, are brilliant. With a great extent of territory and large population, it has the further advantage of possessing natural frontiers. Its government have spontaneously declared that they intend to respect all international engagements made by China, so far as they are applicable to Manchuria, and that they will faithfully observe the principles of the Open Door and Equal Opportunity. They entertain no anti-foreign sentiments. There is no communist peril, such as exists in China. Manchoukuo is still in its infancy, but would it not have been an act of justice on the part of the Commission, who have shown themselves, in spite of all discouragements, so sympathetic towards China, to exhibit some degree of patience with a state scarecely six months old?

Suggestion that Japan Controls Manchoukuo

The Japanese Government prefer not to dwell in the gratuitous suppositions contained in the Report, to the effect that all political and administrative power in Manchoukuo is in the hands of Japanese officials and advisers. These allegations can certainly not command the attention of the League of Nations. There are, and there have been, numerous states, universally acknowledged to be independent, which employ the services of many officials of one or more foreign nationalities, and others which have foreign troops stationed in their territory. The Members of the League have, only recently, admitted that the presence of such foreign troops is no obstacle to the admission of a state as a Member of that Society.

Protocol of 15 September, 1932

The difficulty mentioned in the Report of defining the precise relations between Japan and Manchukuo disappears in the light of the Protocol of 15 September 1932, which clearly defines the position. Nothing in this Protocol nor in the acts of Japan in co-operating with the new Government is inconsistent with any of the public engagements of this country.

Not Inconsistent with any International Engagement

By the Nine-Power Treaty of Washington she joined in an undertaking to respect the sovereignty and the territorial and administrative integrity of China. That undertaking was never intended to deprive the people of the right of self-determination. From this it necessarily follows that the signatories cannot be disabled from recognizing such a *fait accompli*, as required by the necessities of international intercourse. Again, the 10th Article of the Covenant of the League of Nations, is an engagement to respect and preserve the territorial integrity of Members of the League "as against external aggression." But if it is by internal developments that the territorial integrity of a Member is impaired, there is nothing in the Covenant to interfere with the right and duty of Members to recognize that impairment. To hold otherwise would be to deny the basis on which many European and most American states subsist.

*
**

CHAPTER V—CONCLUSIONS

Japanese Proposition

The following positions have now been advanced:—

1. *China abnormal country.* That China has, since the Revolution of 1911, fallen into a condition of confusion bordering upon anarchy, and remains in the same condition at the present moment; that so long as such state of affairs persists, China may properly be considered as in a condition of national disintegration, and that at least under present circumstances it is entirely impossible to tell when China may come to have a strong and permanent central government, even if we grant the ultimate possibility of that event.

2. *No security for foreign life and property.* That, because of the fact that such a state of affairs prevails in China, foreign lives and property cannot be afforded adequate protection, and that especially in recent years the situation has been aggravated as a result of the intensification of internal conflict and the operation of the so-called "revolutionary" foreign policy of the Kuomintang directed against foreign Powers.

3. *Consequent system of constant self-protection.* That consequently foreign Powers have continued to exercise exceptional powers and privileges in China of a character now without parallel elsewhere in the world, such as extraerritorial jurisdiction, settlements and concessions, the maintenance of garrisons and the permanent stationing of warships in inland waters.

4. *Special damage sustained by Japan.* That while all foreign Powers having interests in China have suffered from the anarchical condition and anti-foreign policy of China, Japan has suffered by far the most severely.

5. *Japan in intimate relation to Manchuria.* That Japan stands in the most intimate relation, georgraphically and historically, to Manchuria; that she possesses in that region important treaty rights besides vast economic interests, while great numbers of her people are settled there; that, moreover, the question of her own national security makes Japan vitally interested in Manchuria both from a political and a strategic point of view:—in fine, that Japan's position in Manchuria is an altogether exceptional and special one, unparallelled in other parts of the world.

6. *Encroachments on Japan's rights.* That of late years the former Manchurian authorities resorted to various intrigues with a view to undermining this special position, and that after the rapproachment of General Chang Hsueh-liang with the National Government the enncroachments of the Manchurian authorities upon the rights and interests of Japan, despite Japan's earnest efforts to ameliorate the situation, became increasingly frequent and flagrant, producing an alarming state of tension.

7. *Propriety of Japan's military measures.* That it was in this strained atmosphere that the events of 18 September occurred; that none of the measures taken by the Japanese Army at the time of that incident, or subsequently exceeded the limits of the right of self-defence; and that Japan must on any impartial consideration be pronouncel to have done precisely what any other Power would have done in similar circumstances.

8. *Manchuria's separate situation: her rejection of Chang tyranny and assertion of self-determination, a spontaneous popular act.* That Manchuria has always occupied a separate position, historically as well as geographically, in relation to China Proper, and that its inhabitants bitterly resented the tyrannous rule of the Changs, and opposed the latter's policy which dragged Manchuria into the civil turmoil of China Proper;—that from this geographic and historical circumstance, coupled with the popular opposition to the Chang family, there sprang the movement known as "Preserve the Frontiers and Give us Peace!";—that the foundation of Manchoukuo was accomplied by the spontaneous action of the Manchurians, with this movement, coupled with the Manchu Restoration Movement, as its mainspring;—that Manchoukuo is making steady progress, guided by sound policy, and has a highly promising future before it, and finally, that the attitude of Japan towards the establishment of Manchukuo and her eventual formal recognition of that State do not violate any interntional engagement whatever.

Normal Rules Insufficient for this Abnormal Situation

The fact must be thrown into relief that the Chinese problem, and especially the Manchurian problem, are characterized by exceptional complexity and by abnormal features, which render it difficult to apply the formula commonly employed in dealing with international questions under ordinary circumstances. Nor can the procedure employed in handling such an abnormal question, nor any solution that may eventually be reached, establish precedents for ordinary cases of international dispute. To cite the Reports,—"This is not a case in which one country has declared war on another country without previously exhausting the opportunities for conciliation provided in the Covenant of the League of Nations. Neither is it a simple case of violation of the frontier of one country by the armed forces of a neighboring country because in Manchuria there are many features without an exact parallel in other part of the world." (p. 126).

On the basis of this fundamental position, a few remarks may be made on some of the points contained in Chapter IX and X of the Report.

Report Rejects Mere Restoration of Status Quo Ante

Rejecting the solution of the restoration of the *status quo ante*, as calculated merely to invite a repetition of the difficulty, the Report nevertheless considers the maintenance and recognition of the present regime an "equally unsatisfactory" solution. The Japanese Government, on the contrary, are firmly of opinion that such a solution would contravene none of the principles of international obligation, would satisfy the aspirations of the Manchurians, and would probably come to be realised as the only satisfactory basis of stable relations by China herself. The dissolution if the new state, which is making rapid and healthy progress, or even its international isolation, can never be a course adapted to "the realities of the situation", to use the language of the Report.

Japan Specially Concerned to Have Stable Condition in Manchuria

Japan cannot afford to leave her relations with Manchoukuo in a state of instability. She accordingly considers that the general recognition of Manchoukuo, and a general co-operation its development, is the only means of stabilizing conditions in Manchuria and bring peace to the Far East. It is believed that any other country placed in Japan's position would have come to the same conclusion and followed the same course as herself.

It was for these reasons that her Government signed the Protocol of 15 September, which is based on the above essential conditions. A foundation has thus been laid for the protection of Japanese rights and interests, for the preservation of the territorial integrity of Manchoukuo, and for the assurance of Manchurian safety against external and internal menaces.

Daily Development to Be Subject of Close Attention

The Report, in a striking passage, alludes to the salient feature of the situation, that the position is not static. The "process of evolution" and the fact that "events are still developing from day to day" (p. 132) indicate that it is the function of the League Council to take account of these developments. In studying the Report, with due regard to the view thus expressed by the Commission, the Council must necessarily desire to have full information regarding current events, which in point of fact will be found to exhibit continued confusion in China Proper and steady progress on the part of Manchoukuo). Such information the Japanese Government are always ready to supply within the limits of their power.

Criticism of Suggestions Made by Report

As regards certain practical suggestions which are put forward in Chapter X, the remark of the Report that "it is not the function of the Commission to submit directly to the governments of China and Japan recommendations for the solution of the present dispute", is approved as a proper one in view of the Commission's terms of reference. It is clear that the suggestions are merely intended as an illustration of one way in which the general principles advanced in Chapter IX might be applied. Besides this, it is apparent from the manner in which the Report deals with the possible eventualities of the early recognition of Manchoukuo by Japan that its authors considered that in such a case the importance of their suggestions would be considerably diminished,—for they make only the vague observation that they "do not think their work would thereby have been rendered valueless," and that its suggestions might still be "helpful". On this view of the matter the following remarks may be ventured.

(a) As we shall see, Principle 10 laid down in Chapter IX of the Report would be liable to result in an international control of China Proper. In the same way, the present suggestions would amount in pratice to a disguised international control of Manchuria, and could not be acceptable either to Manchoukuo or to Japan.

(b) They appear also to be too refined and intricate, and not adaptable to the realities of the Far East. Such a plan as is advanced by the Comission calls for the minimum requirement that the different Parties shall each possess the *Sine qua non* of a strong stable government. To attempt to apply these suggestions to the solution of the Manchurian question, which is one of unprecedented complexity, and one in which one Party does not possess a strong and reliable central government, is to make confusion worse confounded.

(c) Nor is it considered practical to de-militarize Manchuria, and maintain peace and order by an international gendarmerie. It is questionable whether even in Europe, order could possibly be maintained throughout so vast a territory by such a system. It could never satisfy the Manchurians, and it would be a source of great anxiety to the Japanese Government, as it would foment unrest and disturbances in Manchuria, which is exactly what Japan desires to avoid. It would make matters worse than the restoration of the *status quo ante*, which is rejected by the Report itself.

Criticism of Suggested Ten Principles

So much for the concrete suggestions of Chapter X. As regards the more abstract principles of Chapter IX, on which these tentative suggestions are based, certain of these, to which Japan has no fundamental objection, have found concrete application in the Protocol signed by Japan and Manchoukuo. But, in any view of the matter it follows from the tenth and the last of these principles that the others (and especially those numbered 4-9 inclusive) cannot be applied "without a strong central government in China": and therefore there can be no question of their application as long as the present anarchical state of things persists. Nor is any such strong central government at all likely to be formed without international co-operation, which is scarcely conceivable—(apart from technical assistance) without some form of international control. In any case, no such reconstruction of China could be effected without a long delay which it is impossible for Japan to contemplate.

Apprehensions of Danger if this Stability be Disturbed by Unsympathetic Attitude to Manchoukuo

Any scheme which would tend to destroy that condition of peace and order which is now in process of restoration will irresistably usher in a new era of disputes and difficulties. Would it not, then, be better statesmanship to work at least for the stabilization of conditions in Manchuria? Should not the world which has manifested so much patience and sympathy for twenty years in the case of China, begin to entertain sentiments of understanding and hope concerning the new state of Manchoukuo? The settlement of the Manchurian question will pave the way for the settlement of the far greater question of China. It can hardly be doubtful that the advent of peace and a good and efficient administration in Manchuria will set an example for China's imitation, and divert her domestic and foreign policies into sane and moderate channels, not only bringing happiness to the Chinese people, but allowing other nations to share in the resultant benefits.

Some Issues of the Sino-Japanese Controversy

The following are excerpts from an address by Sao-Ke Alfred Sze, former Minister to Great Britain, at the Institute of International Affairs, College of William and Mary, at Williamsburg, Virginia, October 19, 1932.

As regards the submission of the Sino-Japanese controversy regarding Manchuria and Shanghai to the League, it is to be noted that China did this as soon as it became clear that, to use the words of the Article of the Covenant of the League under which the appeal was made, the situation created by the acts of Japan, beginning on the night of September 18, 1931, was one which threatened "to disturb international peace or the good understanding between nations upon which peace depends."

China made this submission to the League in exercise of a right guaranteed to her as a Member of the League and as against a State which was also a Member of the League, and, therefore, obligated by the provisions of the Covenant which it had signed.

No charge, from any source or quarter, has been made that China has acted in violation of either the Covenant of the League, the Nine-Power Treaty, or the Peace Pact. It has, however, been widely held that Japan, by her acts, has violated these important multilateral agreements. China has made this charge directly and unequivocally, and that this view is held, generally, by the other Members of the League of Nations and by the United States would seem to be implied by utterances of their official representatives.

It is clear that the present unhappy Sino-Japanese controversy which, since September of last year, has assumed such an acute form, is one of world-wide significance. Not only are the material interests of other Powers involved, but there is a threat to the orderly international relations of the entire world. Unless solemnly contracted treaties are to be held sacred, there is no possible basis upon which international peace, harmony and security can be based.

Japan has repeatedly asserted, since September of last year, that she has no desire to bring or intention of bringing under her sovereign control any portions of the territory of China—assertions which she similarly made with regard to Korea prior to the annexation of that country, in 1910, as an integral part of her Empire. Even if we have full confidence in the sincerity of these new promises of Japan, and accept them at their full face values, the fact still remains that, in promoting and aiding the establishment of a government claiming independence from China and jurisdiction over a great area of Chinese territory, Japan has failed to respect—much less to preserve—the territorial and administrative integrity of China, and, therefore, has violated the Nine-Power Treaty and Article Ten of the Covenant. In other words, Japan's assertion that she has no intention of annexing Manchuria or Inner Mongolia to her own dominions in no way serves as an escape from the indictment that, by her acts in connection with the establishment and maintenance of the so-called State of Manchukuo, she violated China's territorial and administrative integrity.

鹽 業 銀 行

YIEN YIEH COMMERCIAL BANK

(Established 1914)

AUTHORIZED CAPITAL.....	$10,000,000,00
PAID-UP CAPITAL.....	7,500,000,00
RESERVE FUNDS.....	5,094,762,72
SAVING DEPARTMENT CAPITAL	2,000,000,00

Every description of banking business transacted.
Savings accounts opened under special department.
Safe Deposit Boxes to rent on moderate terms.

HEAD OFFICE: TIENTSIN,
BRANCHES:

NANKING, PEIPING, SHANGHAI, HANKOW HONGKONG, HANGCHOW AND CANTON.

Agencies in Dairen & all the principal cities in China.

SHANGHAI OFFICE:

100, Peking Road. Tel. 15217-9 and 15210 to all Dep't

SHANGHAI SUB-BRANCH:

1393-4 Robison Road. Tel. 37338

D. C. WOO, *General Manager* — CHEN CHIEH, *Manager Shanghai Branch.*

FEVERISH!

A dose of Baby's Own Tablets is the thing to put him right. The little intestines need the gentle cleansing that Baby's Own Tablets can give them. And they are pleasant-tasting too.

For the children's sake parents should always keep handy a vial of

BABY'S OWN TABLETS

Specially Devised
From a Physician's Prescription
FOR CHILDREN'S AILMENTS

A.B.C. PRESS, SHANGHAI
Printing
in all its Branches

Your work should bear our imprint

Full Text of Lytton Commission of Enquiry's Report

(The publication of the full text of the Lytton Commission's Report was commenced in "The Review" of Oct. 22.)

Part III

The Opinions of the Inhabitants of Manchuria

It was one of the objects of the commission to ascertain the attitude of the inhabitants of Manchuria toward the new "State." Owing to the circumstances in which the inquiry had to be made, however, the obtaining of evidence presented some difficulty. The danger, real or supposed, to the commission from bandits, Korean Communists or supporters of the new "Government" who might be angered by the presence of the Chinese assessor on account of his criticism of that regime, provided a reason for exceptional measures of protection. There were no doubt occasional real dangers in the unsettled conditions of the country, and we are grateful for the efficient protection with which we were provided throughout our tour. But the effect of the police measures adopted was to keep away witnesses; and many Chinese were frankly afraid of even meeting members of our staff. We were informed at one place that before our arrival it had been announced that no one would be allowed to see the commission without official permission. Interviews were therefore usually arranged with considerably difficulty and in secrecy, and many informed us that it was too dangerous for them to meet us even in this way.

In spite of these difficulties we were able to arrange private interviews with businessmen, bankers, teachers, doctors, police, tradesmen and others, in addition to our public interviews with "Manchukuo" officials, Japanese consuls and military officers. We also received over 1,500 written communications, some delivered by hand, the majority sent by post to different addresses. The information so received was checked as far as possible from neutral sources.

Many delegations representing public bodies and associations were received and usually presented to us written statements. Most of the delegations were introduced by the Japanese or "Manchukuo" authorities and we had strong grounds for believing that the statements left with us had previously obtained Japanese approval. In fact, in some cases persons who had presented them informed us afterwards that they had been written or substantially revised by the Japanese, and were not to be taken as the expression of their real feelings. These documents were remarkable for the studied neglect to comment either favorably or otherwise upon Japanese participation in the establishment or maintenance of the "Manchukuo" administration. In the main these statements were concerned with the relation of grievances against the former Chinese administration, and contained expressions of hope and confidence in the future of the new "State."

Letters Relate Feelings

The letters received came from farmers, small tradesmen, town workers and students, and related the feelings and experiences of the writers. After the return of the commission to Peiping in June this mass of correspondence was translated, analysed and arranged by an expert staff specially selected for the purpose. All these 1,550 leters, except two, were bitterly hostile to the new "Manchukuo Government" and to the Japanese. They appeared to be sincere and spontaneous expressions of opinion.

The higher Chinese officials of the "Manchukuo Government" are in office for various reasons. Many of them were previously in the former regime and have been retained either by inducements or by intimidation of one kind or another. Some of them conveyed messages to the commission to the effect that they had been forced to remain in office under duress, that all power was in Japanese hands, that they were loyal to China, and that what they had said at their interviews with the commission in the presence of the Japanese was not necessarily to be believed. Some officials have remained in office to prevent their property from being confiscated, as has happened in the case of some of those who have fled into China. Others, men of good repute, joined in the hope that they would have the power to improve the administration, and under promise of the Japanese that they would have a free hand. Some Manchus joined in the hope of getting benefits for persons of Manchu race. Some of these have been disappointed and complained that no real authority was conceded to them. Lastly, a few men are in office because they had personal grievances against the former regime or for reasons of profit.

The minor and local officials have in the main retained their offices under the new regime, partly because of the necessity of earning a living and supporting their families, and partly because they feel that if they go, worse men might be put in their place. Most of the local magistrates have also remained in office, partly from a sense of duty to the people under their charge and partly under pressure. While it was often difficult to fill the higher posts with reputable Chinese, it was an easy matter to get Chinese for service in minor posts and local offices, though the loyalty of the service rendered in such circumstances is at least questionable.

Partly New Recruits

The "Manchukuo" police are partly composed of members of the former Chinese police, partly of new recruits. In the larger towns there are actually Japanese officers in the police, and in many other places there are Japanese advisers. Some individual members of the police who spoke to us expressed their dislike of the new regime, but said they must continue to serve to make a living.

The "Manchukuo Army" also consists in the main of the former Manchurian soldiers reorganized under Japanese supervisions. Such troops were at first content to take service under the new regime provided they were merely required to maintain local order. But since they have on occasions been called upon to engage in serious warfare against Chinese forces and to fight under Japanese orders side by side with Japanese troops, the "Manchukuo Army" has become increasingly unreliable. Japanese sources report the frequent defection of "Manchukuo" forces to the Chinese side, while the Chinese claim that one of their most reliable and fruitful sources of warlike supplies is the "Manchukuo Army."

The Chinese business men and bankers who were interviewed by us were hostile to "Manchukuo." They disliked the Japanese; they feared for their lives and property, and frequently remarked: "We do not want to become like the Koreans." After September 18, there was a large exodus of businessmen to China, but some of the less rich ones are now returning. Generally speaking, the smaller shopkeepers expect to suffer less from Japanese competition than do the larger merchants and manufacturers, who often had profitable relations with the former officials. Many shops were still closed at the time of our visit. The increase in banditry adversely affected business in the countryside, and the machinery of credit has largely broken down. The announced Japanese intention to exploit Manchuria economically, and the numerous visits of Japanese economic missions to Manchuria in the last few months have caused apprehension among Chinese businessmen, in spite of the fact that many of these missions are reported to have returned to Japan disappointed.

The professional classes, teachers and doctors, are hostile to "Manchukuo." They allege that they are spied upon and intimidated. The interference with education, the closing of Universities and some schools and the alterations in the school textbooks have added to their hostility, already great on patriotic grounds. The censorship of the press, post and opinion is resented, as is also the prohibition of the entry into "Manchukuo" of newspapers published in China. There are, of course Chinese who have been educated in Japan who are not included in this generalization. Many letters were received from students and young people directed against "Manchukuo."

Farmers' Attitude Divergent

Evidence regarding the attitude of farmers and town workers is divergent and naturally difficult to obtain. Opinion among foreigners and educated Chinese was to the effect that they were either hostile or indifferent to "Manchukuo." The farmer and worker is politically uneducated, usually illiterate, and normally takes little interest in the Government. The following reasons were advanced by witnesses for the agricultural population being hostile to "Manchukuo," and were confirmed in some of the letters received from this class of person. The farmers have good grounds for believeing that the new regime will lead to an increased immigration of Koreans, and possibly of Japanese. The Korean immigrants do not assimilate with the Chinese, and their methods of agriculture are different. While the Chinese farmer mainly grows beans, kaoliang and wheat, the Korean cultivates rice. This means digging canals and dykes and flooding the fields. If there are heavy rains, the dykes built by the Koreans are liable to burst and flood neighboring Chinese land, ruining the crops. There have also been constant quarrels in the past with Koreans over land ownership and rents. Since the establishment of "Manchukuo," the Chinese allege that the Koreans have often ceased to pay rent, that they have seized lands from the Chinese and that the Japanese have forced the Chinese to sell their lands at unfavorable prices. The farmers near the railways and towns have suffered from orders forbidding the planting of kaoliang—a crop which grows to 10 foot in height and favors the operations of bandits—within 500 meters of railway lines and towns. The falling off of the seasonal migration of laborers from China Proper, due to the economic depression and accentuated to some extent by the political disturbances, continues. The public lands, usually available on terms to immigrants from China, have now been taken over by "Manchukuo."

Since September 18, 1931, there has been an unparalleled growth of banditry and lawlessness in the countryside, partly due to disbanded soldiery and partly due to farmers who, having been ruined by bandits, have to take to banditry themselves for a living. Organized warfare, from which Manchuria, compared to the rest of China, had been free for many years, is now being waged in many parts of the Three Provinces between Japanese and "Manchukuo" troops and the scattered forces still loyal to China. This warfare naturally inflicts great hardships on the farmers, especially as the Japanese airplanes have been bombing villages suspected of harboring anti-"Manchukuo" forces. One result has been that large areas have not been planted and next year the farmer will find it harder than ever to pay his taxes. Since the outbreak of disorders, large numbers of the more recently established immigrants from China have fled back inside the Wall. These material reasons, when added to a certain ingrained dislike of the Japanese, caused many withnesses to tell us that the Chinese farmers, who constitute the overwhelming mass of the population of Manchuria, suffer from and dislike the new regime, and that their attitude is one of passive hostility.

Troop Behavior Good

As regards the townspeople, in certain places they have suffered from the attitude of Japanese soldiers, gendarmes and police. Generally speaking the behavior of the Japanese troops has been good, there being no widespread lootings or massacres, though we have received in our letters complaints of individual brutality. On the other hand, the Japanese have been vigorous in suppressing elements that they believed to be hostile. The Chinese allege that many executions have taken place, and also that prisoners have been threatened and tortured in Japanese gendarmerie stations.

It was, we were told, impossible to stimulate in the towns a show of popular enthusiasm for the inauguration ceremonies of "Manchukuo." Generally speaking, the attitude of the town population is a mixture of passive acquiescence and hostility.

While we found the Chinese majority either hostile or indifferent to the "Manchukuo," the new "Government" receives some support from among various minority racial groups in Manchuria, such as the Mongols Koreans, White Russians and Manchus. They have in varying degrees suffered oppression from the former administration or economic disadvantage from the large immigration of Chinese in the last few decades, and while no section is entirely enthusiastic, they hope for better treatment from the new regime, whose policy in turn is to encourage these minority groups.

The Mongols have remained a race apart from the Chinese, and, as already stated, have preserved a strongly race-consciousness, as well as their tribal system, aristocracy, language, dress, special modes of life, manners, customs and religion. Though still mainly a pastoral people, they are increasingly engaged in agriculture and in the transportation of products by carts and animals. The Mongols bordering Manchuria have suffered increasingly from Chinese immigrants who obtain possession of and cultivate their lands from which they are being gradually extruded. This leads to chronic and unavoidable ill-feeling. Mongol delegations we received, complained also of past sufferings from the rapaciousness of Chinese officials and tax-gatherers. The Mongols of Inner Mongolia have seen Outer Mongolia pass under the influence of the U.S.S.R., whose extension to Inner Mongolia they dread. They wish to preserve their separate national existence against the encroachments of the Chinese on the one hand, and the U.S.S.R. on the other. Placed in this precarious position, they have greater hope of preserving their separate existence under the new regime. It must be observed, moreover, that the Princes are mainly dependent for their wealth on fixed property and on their special privileges, and

that they therefore tend to become amenable to *defacto* authorities. A deputation, however, of Mongol Princes was received by the commission in Peiping, and stated their opposition to the new regime. At present the connection between the Mongols bordering on Manchuria and the "Manchukuo Government" is undefined and the "Manchukuo Government" has so far refrained from interfering in their administration. While the support of certain of these Mongol elements at present is genuine, if cautious, they are quite prepared to withdraw it should the Japanese prove a menace to their independence or economic interests at some future date.

Manchus Considered

The Manchus have been almost completely assimilated with the Chinese, although in Kirin and Heilungkiang there exist small and politically unimportant colonies of Manchus who, though bilingual, remain distinctly Manchu. Since the establishment of the Republic the remnants of the Manchu race lost their privileged position: although the Republic promised to continue the payment of their subsidies, they were paid in depreciated currency, and were therefore forced to take up farming and trade in which they had no experience. The few distinct Manchun groups that remain may cherish hopes that with the establishment of "Manchukuo," whose backers spoke so often about the inhabitants of Manchuria being distinct in race from those of the rest of China and in which the last of the Manchu Emperors is the Chief Executive, they may once more get privileged treatment. Persons of Manchu race have entered the "Government" with such hopes, but Chinese witnesses in Manchuria alleged that these office-holders have been disillusioned by finding all the power in Japanese hands and their own proposals ignored. Although there may still exist some sentimental loyalty to the ex-Emperor among persons of Manchu blood, there does not exist any race-conscious Manchu movement of any significance. They have been so largely assimilated with the Chinese that although efforts have been made to recruit Manchus for the administration and to stimulate Manchu race-conciousness, this source of support for the new "Government" is not sufficient to give it any title to represent the people.

In the past there has been much friction between Korean farmers backed by the Japanese authorities on the one hand, and Chinese officials, landowners and farmers on the other. There is no doubt that in the past Korean farmers suffered from violence and extortion. The Korean deputation which appeared before the commission generally welcomes the new regime, but we cannot say to what extent they were representative of their community. In any case, these Koreans who are political refugees, having emigrated to escape Japanese domination, might not be expected to welcome an extension of that domination. These refugees have proved a fertile ground for communist propaganda and maintain contact with the revolutionary groups inside Korea.

White Russians

Of all the minority communities in Manchuria, the small colony of White Russians—at least 100,000 in number—in and around Harbin has suffered the most in recent years. Because they are a minority community with no national Government to protect them, they have been subjected to every kind of humiliation by the Chinese officials and police. They are in conflict with the Government of their own country and are, even in Manchuria, in constant anxiety on that account. The richer and more educated members of their community can earn a livelihood, but they have been liable to suffer whenever the Chinese authorities have thought some advantage was to be gained from the U.S.S.R. at their expense. The poorer members find it very hard to make a living and have suffered continually at the hands of the police and the Chinese courts. In a province where taxes are assessed by a process of bargaining, they have been made to pay a higher portion of their assessed taxes than their Chinese neighbors. They have experienced restrictions on their trade and movements, and have had to pay bribes to the officials to have their passports examined, their contracts approved or their land transferred. It is not to be wondered at that many members of this community, whose condition could not well be made worse, should have welcomed the Japanese and now entertain hopes that their lot may be improved under the now administration.

We received a deputation of White Russians when we were in Harbin, as well as many letters, and we gathered from them that they would support any regime which would guarantee to them:

(1) The right of asylum;
(2) An honest and efficient police administration.
(3) Justice in the law courts;
(4) An equitable system of taxation;
(5) Rights of trade and settlement, not dependent on the payment of bribes;
(6) Facilities for educating their children.

Their requirements in this respect were chiefly efficient teaching of foreign languages to enable them to emigrate and good technical education to enable them to obtain business employment in China;

(7) Some assistance regarding land settlement and emigration.

Such are the opinions of the local population conveyed to us during our tour in Manchuria. After careful study of the evidence presented to us in public and private interviews, in letters and written statements, we have come to the conclusion that there is no general Chinese support for the "Manchukuo Government," which is regarded by the local Chinese as an instrument of the Japanese.

*
**

Chapter VII

Japan's Economic Interests and the Chinese Boycott (*)

The three preceding chapters have been chiefly confined to a description of military and political events since September 18, 1931. No survey of the Sino-Japanese conflict would be accurate or complete without some account of another important factor in the struggle, namely the Chinese boycott of Japanese goods. To understand the methods employed in this boycott movement and their effect on Japanese trade, some indication must be given of the general economic

(*) BOYCOTT: The word was first used in Ireland and was derived from the name of Captain Charles Cunningham Boycott (1832-97) agent for the estates of the Earl of Erne in County May. For refusing in 1880 to receive rents at figures fixed by the tenants, Captain Boycott's life was threatened, his servants were compelled to leave him, his fences torn down, his letters, intercepted and his food supplies interfered with. The term soon came into common English use, and was speedily adopted into many foreign languages. —Encyclopedia Britannica, 14th edition, 1929.

In the United States Court for China

ALFRED NELSON, Plaintiff,
vs.
LILLIAN NELSON, Defendant.

Cause No. 3486
Civil No. 1562
ORDER
Filed at Shanghai, China
November 4th, 1932.
JAMES M. HOWES
Clerk

The object of this suit is an application for divorce.

WHEREAS, plaintiff herein, by his attorneys, has this 3rd day of November, 1932, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 4th day of November, 1932, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 3rd day of November, 1932, the plaintiff herein filed an affidavit to the effect that the defendant does not reside in China, and that defendant's last known address was 60 Granite Street, Gloucester, Mass., U.S.A.

NOW, THEREFORE, it is this 4th day of November, 1932, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the "China Weekly Review" a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause her appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occuring after the 26th day of November, 1932, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:
Dated at Shanghai, China,
this 4th day of November, 1932.

MILTON D. PURDY
Judge.

In the United States Court for China

EDWARD S. KERSEY, Plaintiff,
vs.
NELL KERSEY Defendant.

Cause No. 3487
Civil No. 1563
ORDER
Filed at Shanghai, China
November 4th, 1932.
JAMES M. HOWES
Clerk

The object of this suit is an application for divorce.

WHEREAS, plaintiff herein, by his attorneys, has this 4th day of November, 1932, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 4th day of November, 1932, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 4th day of November, 1932, the plaintiff herein filed an affdavit to the effect that the defendant does not reside in China, and that defendant's last known address was West Virginia, U.S.A.

NOW, THEREFORE, it is this 4th day of November, 1932, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the "China Weekly Review" a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause Her appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occuring after the 26th day of November, 1932, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:
Dated at Shanghai, China,
this 4th day of November, 1932.

MILTON D. PURDY
Judge.

position of Japan, of her economic and financial interests in China and of the foreign trade of China. This is also necessary to understand the extent and character of the economic interests of both China and Japan in Manchuria, which will be discussed in the next chapter.

During the Meiji Restoration period in the sixties of the last century, Japan emerged from her isolation of over two centuries, and within less than 50 years developed into a world Power of the first rank. A population formerly almost stationary started to grow rapidly from 33,000,000 in 1872 until it reached a figure of 65,000,000 in 1930; and this tremendous growth still continues at the rate of about 900,000 per year.

The population of Japan compared with its total surface is approximately 437 persons per square mile, as against about 41 in the United States, 330 in Germany, 349 in Italy, 468 in Great Britain, 670 in Belgium and 254 in China.

Comparing the population of Japan per square mile of arable land with that of other countries, the ratio for Japan is exceptionally high, due to the particular geographical formation of the Island Empire:

Japan	2,774
Great Britain	2,170
Belgium	1,709
Italy	819
Germany	806
France	467
United States	229

Due to a highly concentrated population on agricultural land, the individual holdings are exceedingly small, 35 per cent of the farmers tilling less than one acre and 34 per cent less than two and one half acres. The expansion limit of tillable land has been reached, as has also the limit of cultivation intensity—in short, the soil of Japan cannot be expected to produce much more than it does today, nor can it provide much additional employment.

Agrarian Difficulties

Moreover, as result of intensive cultivation and the widespread use of fortilizers the cost of production is high. The price of land is far higher than in any other part of Asia and even in the most overcrowded parts of Europe. Much discontent seems to exist among the heavily indebted population, and conflicts between tenants and landowners are on the increase. Emigration has been considered a possible remedy, but for reasons dealt with in the net chapter it has not, up to the present time, proved to be a solution.

Japan at first turned to industrialism to foster the growth of an urban population which would both provide a home market for agricultural products and turn labor to the production of goods for domestic and foreign use. Several changes have occurred since that time. Where, formerly, Japan was more than self-sufficing from the point of view of food supply, of recent years from 8 per cent to 15 per cent of her total imports have been foodstuffs, the fluctuation being due to the varying conditions of the home crops, principally rice. The importation of foodstuffs, and the probable increasing need of these imports necessitate an attempt to offset the country's already unfavorable trade balance by an increase in exports of industrial products.

If Japan is to find employment for her increasing population through the process of further industrialization, the development of her export trade and of foreign markets capable of absorbing an increasing amount of her manufactured and semi-manufactured goods becomes more and more essential. Such markets, would, at the same time, serve as a source of supply of raw materials and of foodstuffs.

Japanese export trade, as hitherto developed, has two main directions: her luxury product, raw silk goes to the United States; and her staple manufactures, chiefly cotton textiles, go to the countries of Asia, the United States taking 42.5 per cent of her exports and the Asia market as a whole taking 42.6 per cent. Of this latter trade. China, the Kwantung Leased Territory, and Hongkong take 24.7 per cent, and a large share of the remainder is handled by Chinese merchants in other parts of Asia.

During 1930, the last year for which complete figures are available, the total exports of Japan amounted to Yen 1,469,852,000 and her imports to Yen 1,546,071,000. Of the exports, Yen 260,826,000, or 17.7 per cent, went to China (excluding the Kwantung Leased Territory and Hongkong), while of the imports Yen 161,667,000, or 10.4 per cent, came from China (excluding the Kwantung Leased Territory and Hongkong).

Analysing the principal commodities exported by Japan to China, it will be found that China takes 32.8 per cent of all aquatic products exported by Japan; 84.6 per cent of refined suger; 75.1 per cent of coal, and 31.9 per cent of cotton tissues, or an average of 51.6 per cent.

Imports from China

The same analysis applied to the commodities imported from China shows that 24.5 per cent of the total amount of beans and peas imported by Japan comes from China; 53 per cent of the oil cake; and 25 per cent of vegetable fibers; or an average of 34.5 per cent.

As these figures are for China only, excluding Hongkong and the Kwantung Leased Territory, they do not indicate the extent of Japanese trade with Manchuria, which passes mainly through the port of Dairen.

The facts and figures just given clearly show the importance to Japan of her trade with China. Nor is Japan's interest in China limited to trade alone; she has a considerable amount of capital invested in industrial enterprises, as well as in railways, shipping and banking, and in all of these branches of financial and economic activity the general trend of development has been increasing considerably during the last three decades.

In 1898 the only Japanese investment of any consequence was a small cotton gin in Shanghai owned jointly with Chinese, representing a value of about 100,000 taels. By 1913 the estimated total of Japanese investments in China and Manchuria amounted to Yen. 435,000,000, out of a total of Yen. 535,000,000 estimated investments abroad. By the end of the World War, Japan had more than doubled her investments in China and Manchuria over those of 1913, a considerable part of this increase being due to the famous "Nishihara Loans," which had been partially granted for political considerations. Notwithstanding this setback, Japan's investments in China and Manchuria in 1929 were estimated at almost Yen. 2,000,000,000, (*) out of her total investments abroad of Yen. 2,100,000,000, showing that Japan's investments abroad have been almost entirely confined to China and Manchuria, the latter having absorbed by far the greater part of this investment (particularly in railways).

(*) According to another estimate, Japan's investments in China, including Manchuria, total approximately Yen. 1,800,000,000.

Apart from these investments, China has been indebted to Japan for various state, provincial and municipal loans which in 1925 were estimated at a total of Yen 304,458,000 (the greater part unsecured) plus Yen 18,037,000 interest.

Although the bulk of Japan's investments are in Manchuria, a considerable amount is invested in industries, shipping and banking in China proper. Nearly 50 per cent of the total number of spindles operated in the spinning and weaving industry in China in 1929 were owned by Japanese. Japan was second in the carrying trade of China, and the number of Japanese banks in China in 1932 is put at 30, a few of which are joint Sino-Japanese enterprises.

Interest of Chinese

Although the foregoing figures are stated from the standpoint of Japan, it is easy to see their relative importance from the standpoint of China. Foreign trade with Japan has held first place in the total foreign trade of China up to 1932. In 1930, 24.1 per cent of her exports went to Japan, while in the same year 24.9 per cent of her imports came from Japan. This, in comparison with the figures from Japan's standpoint, shows that the trade of China with Japan is a greater percentage of her total foreign trade than is the trade of Japan with China of the total foreign trade of Japan. But China has no investments, banking or shipping interests in Japan. China requires, above all else, to be able to export her products in increasing quantities to enable her to pay for the many finished products she needs and in order to establish a sound basis of credit on which to borrow the capital required for further development.

From the foregoing, it is evident that Sino-Japanese economic and financial relations are both extensive and varied, and, consequently, easily affected and disorganized by any disturbing factor. It also appears that, in its entirety, Japanese dependence on China is greater than China's dependence on Japan. Hence Japan is the more vulnerable and has more to lose in case of disturbed relations.

It is therefore clear that the many political disputes which have arisen between the two countries since the Sino-Japanese war of 1895 have in turn affected their mutual economic relations, and the fact that in spite of these disturbances the trade between them has continued to increase proves that there is an underlying economic tie that no political antagonism has been able to sever.

For centuries the Chinese have been familiar with boycott methods in the organization of their merchants, bankers and craft guilds. These guilds although they are being modified to meet modern conditions, still exist in large numbers and exercise great power over their members in the defense of their common professional interest. The training and attitude acquired in the course of this century old guild life has been combined, in the present-day boycott movement, with the recent fervent nationalism, of which the Kuomintang is the organized expression.

The era of modern anti-foreign boycotts employed on a national basis as a political weapon against a foreign Power (as distinct from a professional instrument used by Chinese traders against each other) can be said to have started in 1905 with a boycott directed against the United States because of a stipulation in the Sino-American Commercial Treaty, as renewed and revised in that year, restricting more severely than before the entry of Chinese into America. From that moment onward until today there have been 10 distinct boycotts which can be considered as national in scope (besides anti-foreign movements of a local character), nine of which were directed against Japan (*) and one only against Great Britain.

Causes of Boycotts

If these boycotts are studied in detail, it will be found that each of them can be traced back to a definite fact, event or incident, generally of a political nature and interpreted by China as directed against her material interests or detrimental to her national prestige. Thus, the boycott of 1931 was started as a direct sequel to the massacre of Koreans in July, following the Wanpaoshan incident in June of that year, and has been accentuated by the events at Mukden in September and at Shanghai in January, 1932. Each boycott has its own immediately traceable cause, but none of the causes in themselves would have initiated economic retaliation on so extensive a scale had it not been for the mass psychology described in Chapter 1. The facters contributing to the creation of this psychology are a conviction of injustice (rightly or wrongly considered as such), an inherited faith in Chinese cultural superiority over foreigners and a fervent nationalism of a Western type, mainly defensive in aims but in which certain aggressive tendencies are not lacking.

Although a Society for the Regeneration of China (Hsing Chung Hui), which may be considered the progenitor of the Kuomintang, was founded as far back as 1893, and although there can be no doubt that all the boycotts from 1905 to 1925 were launched with the war-cry of Nationalism, there is no concrete evidence that the original nationalist associations, and later the Kuomintang, had a direct hand in their organization. Inspired by Dr. Sun Yat-sen's new creed, Chambers of Commerce and Student Unions were fully capable of such a task, guided as they were by century-old secret societies, guild experience and guild mentality. The merchants furnished the technical knowledge, means of organization and rules of procedure, while the students inspired the movements with the enthusiasm of their newly acquired conviction and their spirit of determination in the national cause and helped to put them into operation. While the students were generally moved by nationalistic feelings alone, the Chambers of Commerce, though sharing these feelings, thought it wise to participate from a desire to control the operation of the boycott. The actual rules of the earlier boycotts were designed to prevent the purchase of the goods of the country against which the boycott was directed. Gradually, however, the field of action was extended to a refusal to export Chinese goods to the country concerned, or to sell or render services to its nationals in China. Finally, the avowed purpose of the more recent boycotts

(*) The date and immediate cause of each of these boycotts are:
1908 The Tatsu Maru incident.
1909 The Antun-Mukden Railway question.
1915 The "21 Demands."
1919 The Shantung question.
1923 Port Arthur and Dairen recovery question.
1925 May 30th. incident.
1927 Despatch of troops to Shantung.
1928 Tsinan incident.
1931 The Manchurian affair (Wanpaoshan and Mukden events).

has become to sever completely all economic relations with the "enemy country."

It should be pointed out that the rules thus established were never carried out to the fullest extent, for reasons which have been fully dealt with in the special study annexed to this report. Generally speaking, the boycotts have always had more impetus in the south, where nationalistic feelings found their first and most fervent adherents, than in the north, Shantung especially having withheld support.

Movement Since 1925

From 1925 onward a definite change took place in the boycott organization. The Kuomintang, having from its creation supported the movement increased its control with each successive boycott until today it is the real organizing, driving, co-ordinating and supervising factor in these demonstrations.

In doing this, the Kuomintang, as indicated by evidence in the possession of the commission, did not dismiss the associations which had hitherto been responsible for the direction of boycott movements. It rather co-ordinated their efforts, systematized and made uniform their methods and put unreservedly behind the movement the moral and material weight of its powerful party organization. Having branches all over the country, possessing vast propaganda and information services, and inspired by a strong nationalistic sentiment, it rapidly succeeded in organizing and stimulating a movement which had, up to that time, been somewhat sporadic. As a consequence, the coercive authority of the organizers of the boycott over the merchants and the general public became stronger than ever before, although at the same time a fair margin of autonomy and initiative was left to the individual boycott associations.

The boycott rules continued to vary according to local conditions but parallel with the strengthening of the organization, the methods employed by the Boycott Societies became more uniform, more strict and effective. At the same time the Kuomintang Party issued instructions prohibiting the destruction of commercial houses belonging to Japanese or the infliction of physical harm. This does not mean that the lives of Japanese in China have never been threatened in the course of a boycott, but as a whole it may be stated that during the more recent boycotts, acts of violence against Japanese subjects have been less numerous and serious than in earlier days.

An examination of the technique of the methods employed shows that the atmosphere of popular sentiment without which no boycott could succeed is created by a formidable propaganda uniformly carried out all over the country, using slogans well chosen to incite the popular mind against the "enemy" country.

In the present boycott directed against Japan which the commission has seen in operation, every available means was employed to impress upon the people the partriotic duty of not buying Japanese goods The columns of the Chinese press were filled with propaganda of this kind, the walls of buildings in the towns were covered with posters, often of an extremely violent character;* anti-Japanese slogans were printed on currency notes, on letters and telegramforms; chain letters went from hand to hand, etc. These examples were by no means exhaustive, but serve to show the nature of the metehods employed. The fact that this propaganda does not differ essentially from that used in certain countries of Europe and America during the World War 1914-1918 only proves the degree of hostility toward Japan which the Chinese have come to feel as a result of the political tension between the two countries.

(To be concluded next week)

(*) In most cities visited by the commission these posters had been removed beforehand but declarations from reliable local witnesses who often possessed samples of these posters bore out the fact mentioned above. Moreover, samples are to be found, in the archives of the commission.

Measures Taken Against Japanese Dumping in U.S.A. and Philippines

The competition of Japanese goods into various countries, made severe because of the low exchange value of the yen, has been felt in various countries, among them being the United States, Great Britain and the Philippines.

Commissioner of Customs Frank Xavier Eble at Salt Lake City, Utah, recently announced that he had instructed all collectors of customs to suspend appraisement on shipments of tuna. salmon, and electric light bulbs from Japan, pending investigation of the shipments. He explained that, while such imports will be admitted into the United States, the importers will be required to place adequate bonds for the protection of the American producers and revenue in case the present price of the Japanese goods is found not to be amenable to the provisions of the anti-dumping law.

Another aspect of the Japanese menace to British trade was mentioned by Dr. E. L. Burgin, Parliamentary secretary to the Board of Trade, during a fiscal debate in the House of Commons Nov. 11. Dr. Burgin said Japan only entered the British rubber shoe trade last year and by the end of the year had become the greatest supplier of this type of footwear in the world. He said he considered Japan's competition quite unfair.

Disregarding the protests of the Japanese and other importers, the Legislative of the Philippines Nov. 2. enacted a measure for the valuation on the gold basis of import from countries with depreciated currencies. Its advocates assert that though it means doubling the duties, such articles as Japanese canvas shoes can still be offered under the price of a year ago.

In the United States Court for China

WILLIAM A. PARCELL, Plaintiff, vs. MARY CULLEN PARCELL Defendant.	Cause No. 3492 Civil No. 1566 ORDER Filed at Shanghai, China November 9th, 1932. JAMES M. HOWES Clerk

The object of this suit is an action for divorce.

WHEREAS, plaintiff herein, by his attorneys, has this 9th day of November, 1932, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 9th day of November, 1932, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 9th day of November, 1932, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China nor has he resided therein since three years, and that defendant's last known address was 5 Ellwood Avenue, Charleston, Mass.

NOW, THEREFORE, it is this 9th day of November, 1932, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the CHINA WEEKLY REVIEW, Shanghai, China, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause her appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occuring after the 26th day of November, 1932, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:
Dated at Shanghai, China,
this 9th day of November, 1932.

MILTON D. PURDY
Judge.

In the United States Court for China

ZENA MIKOLAICHIM Plaintiff, vs. WLADIMIR MIKOLAICHIM Defendant	Cause No. 3494 Civil No. 1568 ORDER Filed at Shanghai, China November 14, 1932 Sgd. L. T. Kenake Asst Clerk

The object of this suit is an action for Divorce,

WHEREAS, plaintiff herein, by her attorneys, has this 11th day of November, 1932, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 11th day of November, 1932, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 11th day of November, 1932, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China nor has he ever resided in China, and that defendant's last known address was 425 W. 55th Streeet, corner of Broadway, New York City, N. Y.

NOW, THEREFORE, it is this 14th day of November, 1932, ORDERED that service upon the defendant be made by publicatiin once a week for three consecutive weeks in the "CHINA WEEKLY REVIEW" Shanghai, China, ..., a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occuring after the 3rd day of December, 1932, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:
Dated at Shanghai, China,
this 14th day of November, 1932.

MILTON D. PURDY
Judge.

Men and Events

H. Cavendish, assistant managing editor of the Paris edition of the *New York Herald*, is a visitor to Shanghai.

Akira Ariyoshi, Japanese Minister to China, returned to Shanghai during the week, after an official visit to Tokyo.

C. V. Starr, president of the American Asiatic Underwriters, departed this week on a business trip to Hongkong.

H. A. Powell, Hankow representative of the American Foreign Insurance Association, is in Shanghai on a business trip.

S. Souansky, 26-year old Russian, was convicted and ordered to serve a month in jail and pay a fine of $30 for smoking opium in the French Concession.

T. R. Scanlon, manager of the Sunlands Sales Association, Inc., has returned to Shanghai from a business trip to the United States.

T. Funatsu, director-general of the Japanese Cotton Mill Owners Association has returned to Shanghai from a business trip to Japan.

G. S. Moresthe, editor of *Le Journal de Shanghai* has been decorated with the Commander's Cross of the Crown of Roumania by King Carol.

Martin P. Nicholson, U. S. Treasury representative stationed in Shanghai, has returned to Shanghai from a business trip to Washington, D. C.

Bernard Shaw, English playwright, has booked passage on a round-the-world tour leaving England next month. Shanghai will be included in the itinerary.

F. J. Raven of the American-Oriental Bank, accompanied by his daughters, Ruth, Hortense and Eleanor, departed this week on a vacation trip to Manila.

Mrs. D. J. Fraser, wife of the agent of the States Steamship Company at Hongkong, passed through Shanghai this week on her, way to the United States.

Dr. Arthur de Carvalho will give an exhibition of his photographic art at the Y. M. C. A. 123 Boulevard de Montigny, Shanghai, beginning Saturday, December 3.

Toshihiko Taketomi, director of the Commercial Bureau of the Tokyo Foreign Office, has been appointed Counsellor of the Japanese Embassy, Washington, D. C.

Oong Wen-hao, who originally declined the appointment as Minister of Education at Nanking, has notified the Executive Yuan that he has decided to accept the post. Mr. Oong is now in Peiping.

James K. Steele, executive secretary of the Philippine Tourist Association, was scheduled to address the Pan-Pacific Association at Ladow's Tavern, Shanghai, Friday, Nov. 25, on "The Philippines."

Loh Kyung-tah, an employee of the insurance office staff of the American Asiatic Underwriters, Shanghai, was found guilty of the larceny of two checks, and fined $100 in the First District Court Nov. 18.

Dr. Ben Dorfman of the University of California, who served as a technical expert with the Lytton Commission, has returned to Shanghai following a trip to South China, the Philippines and Straits Settlements.

The Rev. W. F. Walker, who came to China as a missionary in 1873 and returned to America in 1911, died at Indianapolis, Ind. recently at the age of 87. He was connected with the Methodist Episcopal Mission.

Mrs. T. C. Britton, whose husband is president of the Asia Realty Company, has gone to the United States on a visit. She was accompanied by their son, Burnett. After a visit with relatives in Florida they will proceed to Europe.

The members of the Joint Committee of the British Chambers of Commerce and China Association were hosts to the members of the Committee of the British Returned Students' Union at a luncheon held at the Shanghai Club November 16.

Pierre Lyautey, correspondent for *Le Temps* and *La Journal Industrielle*, at present in Shanghai, recently addressed the students and faculties of Chiaotung University on "Chinese Economic Construction from a French Point of View."

Sir John Hope Simpson, chairman of the China Flood Relief Commission who returned to China recently following a trip to London, was the guest at a dinner at the Cathay hotel given by the National Flood Relief Commission November 17.

Mei Lan-fang, the famous female impersonator, has accepted the invitation of the committee in charge of preparations for China's participation in the World Fair at Chicago for 1933, to make another tour of the United States next summer.

Rev. Z. Charles Beals is retiring from missionary work in China after 40 years' service, all except two of which were spent in or near Wuhu. For 30 years Mr. Beals had been the distributor of relief funds received from the *Christian Herald* of New York.

A concert-lecture will be given at the Embassy Theater on Monday, Nov. 28, at 5.30 p.m. by John Hazedel Levis, a former resident of Shanghai. on Chinese music. He will deal with some of the high-lights of Chinese musical history, ancient instruments, sounding-stones, etc.

About 500 relief bluejackets of the Japanese Navy were scheduled to arrive in Shanghai abroad the naval transport *Tsingtao* on November 25. They are stated to be "reliefs." There has been a noticeable increase of Japanese marines and consular police on the streets during the past few days.

Captain Dickson, pilot of the Arthur Leow plane *Spirit of Fun* was killed at Victoria Falls, Africa, Nov. 17 when the plane crashed. Mr. Leow and Mr. Rosenthal, who were in the plane, escaped injured. Mr. Leow and his companions were in Shanghai several weeks ago in the course of a world tour.

The American Minister, Nelson T. Johnson, E. B. Ingram, British Charge d'Affaires, Dr. Trautmann, the German Minister, and the French Minister to China, M. Wilden. all spent some time in Nanking during the week discussing various diplomatic questions with officials of the Nanking government.

The German Consulate-General is seeking information regarding the whereabouts of a German woman named Margarete Zeithen, who was married to a Chinese named James Lee. They formerly resided at No. 82 Scott Rd., Shanghai, but have not been heard from since the Sino-Japanese hostilities last spring.

The China Institute of International Relations was host at a reception at the Bankers' Club November 18 given in honor of Dr. T. Z. Koo who has just returned from the United States. While in America Dr. Koo served as the only representative for China in the last session of the Williamstown Institute of Politics.

Loy Chang. head of the Bond Department of the Ministry of Finance, was elected president of the Shanghai Harvard Club at a dinner held in the American Club last week. Other officers elected were Charles Ferguson, vice-president and Fred C. Sze, secretary-treasurer. Twenty-one members of the club attended the meeting.

A memorial service for the late Hsu Tse-mo, well-know Chinese poet, was held on his first death anniversary on November 19 at the residence of Dr. Hu Shih, in Peiping. Mr. Hsu was killed in an air crash near Tsinanfu on November 19 last year while returning from Nanking in an airplane of the China Aviation Company.

Wells Roberts, the American Naval Attache in Japan, has been transferred to the staff of the Commander-in-Chief of the U. S. Asiatic Fleet. Lieutenant H. H. Smith-Hutton, who was formerly a naval language student in Japan, was expected to arrive in Tokyo on November 15 to assume the post as assistant Naval Attache.

Two raids conducted by the Shanghai Municipal Police, at the request of the Public Safety Bureau, November 18, resulted in the arrest of four Chinese suspected of communism and the seizure of a quantity of "Red" literature. The three suspects appeared before the Shanghai Special District Court and were remanded for further investigation.

A recent *Reuter* despatch from Tsingtao stated that the American firm of Frazar, Federal Incorporated, had two shipments of automobiles seized by the customs, as the result of the apparent collusion of one of their Chinese employees with certain Customs employees. The money paid out by the firm for the duties never reached the customs offices.

The Dollar liner *President Johnson* will make an around-the-word cruise conducted by the James Boring Tourist Agency of New York, sailing from New York February 4, cruising eastward and returning to New York June 20. Changes have been made in the vessel to increase the passenger capacity and a considerable number of new staterooms have been added. The *President Johnson* will be in Shanghai on April 28..

Who's Who in China

金廷蓀
Chin Ting-sheng

Chin Ting-sheng, banker; born at Ningpo, Chekiang, 1884; studied at Ningpo before coming to Shanghai to engage in business; now managing director, Ting Sheng Native Bank, Ningpo; director, Kiangsu & Chekiang Bank, Shanghai; director, Bank of Kiangnan; director, Chung Wai Bank, Shanghai; committee member, Chinese General Chamber of Commerce, Shanghai; director of the China Merchants Steam Navigation Company; vice-President, Jen Chi Hospital, Ningpo; holder of executive positions in several other large Chinesscommercial organizations in Shanghai and Ningpo; address: Chung Wai Bank, 97 Avenue Edward VII Shanghai.

金廷蓀，浙江鄞縣人，現年四十八歲，幼時曾肄業於甯波，繼來滬經商，服務金融界，信用卓著，現任甯波廷蓀莊總理，江浙銀行董事，江南銀行董事，中匯銀行董事，上海市商會會員，中國招商局董事，公務之暇，並熱心慈善事業，現任甯波仁濟醫院副院長。

The American Chamber of Commerce is circularizing American merchants in Shanghai in order to get specific information concerning damage done to their business on shipments from Shanghai to Dairen and Manchuria as a result of the recently enacted Chinese Customs procedure. The Chamber is negotiating with the American authorities and the Chinese Customs concerning the matter.

Earl A. Selle, local newspaperman and until recently assistant city editor of the *China Press*, departed from Shanghai aboard the *Empress of Canda* for the United States last Monday, Nov. 21. Mr. Selle came to the Orient in 1929 and had been engaged in jounalistic work in Shanghai for the past three years, first working on the *Shanghai Evening Post* and later joining the staff of the *China Press*. Besides his local connections, he also served at the same time as correspondent for a number of papers in America on the Pacific Coast. Mr. Selle is expected to resume newspaper work in America after his return.

Regulation of Provincial and Local Finance

An important new Law governing the supervision of local finances was adopted by the Legislative Yuan Nov. 19. According to this Law, local finances are to be placed under the supervision of the Ministry of Finance. Except in accordance with Law, no local government will be allowed to impose any new taxes, increase existing taxes or issue any public loan. It is provided that in case of any change of taxes, increase or reduction of the rate of taxes, or flotation of public loans in any province or municipality under the direct jurisdiction of the Executive Yuan, the Provincial or Municipal Government concerned shall draw up plans and forward them to the Ministry of Finance for examination and subsequent submission to the Executive Yuan, which shall, in turn, forward the plans to the Legislative Yuan for approval and subsequent submission to the National Government for promulgation.

EAT AT
Jimmy's
212 Szechuen Road
The only American Restaurant in Shanghai
TRY OUR CHILI CON CARNE
Branch at 105 Broadway
Open all Night

PROMPT SERVICE

MODERATE CHARGES
Minimum $1.00

USE
ANGEL 皃琪安

This wonderful face cream removes freckles, cures pimples and eruption, whitens skin and beautifies complexion amazingly.
MYOTREN *for skin diseases*
妙特靈 皮膚病藥
OBTAINABLE AT
WING ON, SINCERE, LEE HWA and OTHER DEPARTMENT STORES and DISPENSARIES

HAVE YOUR MEALS AT
雪園
·C·U·A· Café
China United Building
104 Bubbling Well Road
WHOLESOME FOOD
BEST DRINKS
REASONABLE PRICES

New Books of Interest in the Far East

The Well Known Red Menace

Toward Soviet America, by William Z. Foster; Coward-McCann, Inc., New York City.

The Russian Emerges, by Nicholas Ignatieff; The MacMillan Company of Canada, Ltd., Toronto.

These two books may be properly reviewed together by virtue of their contrast. Mr. Foster is easily the most outstanding Communist in the United States and the perennial candidate of the Communist Party for the American presidency. He also has been an active labor leader for more than 30 years, notably directing the great steel strike of a decade ago. Should America have a Red revolution in the near future he, presumably, would play the role of a Lenin in it, and while it may well be doubted whether Mr. Foster has Lenin's genius for leadership he is, beyond doubt, a man of considerable intelligence and integrity.

Mr. Ignatieff, on the other hand, is one of the many ex-counts of Czarist Russia. He remained in Russia, however, throughout the Bolshevik revolution but went into exile in 1919 and received his education in England, coming subsequently to Canada where he is now an engineer. Considering his intimate knowledge of certain phases of Russian life—his family were large landholders,—one would expect Mr. Ignatieff to present some worth-while factual information regardless of his personal view of the Soviet experiment.

Instead he devotes much of his book to vigorous condemnation of Marxian philosophy about which he evidently knows little and understands less. However, he does not sweepingly condemn the Soviet regime and, in fact, expresses considerable approval for the obvious strides the U.S.S.R. is making in industrial and cultural development. But, in Mr. Ignatieff's opinion, communism has nothing to do with this advance; it is merely because youth in Russia "is swept off its feet by constructive enthusiasm!" Now it is this reviewer's firm belief that there must have been several generations of youth in Russia prior to the Soviet regime and so the crucial question arises why youth under the regime of the Counts, the Grand Dukes and the Czars were never swept off their feet by constructive enthusiasm. Mr. Ignatieff, alas, does not explain this point.

Although praising many of the accomplishment of Russia under the Soviets, Mr. Ignatieff does not believe communism will endure. The Russian peasant, he says, does not like communist theories of equality and prefers to be ruled as of old by an aristocrat who may have ill-treated him but who "would kiss him at Easter time and hold his child at baptism." Mr. Ignatieff also sees a religious revival in Russia as intense as the present godlessness of the Bolsheviks.

All of which is very interesting, and only time can definitely determine its truth or falsity, but on the basis of his analysis of the past and present it is impossible to take Mr. Ignatieff seriously as a prophet. Systems, according to him, have nothing whatsoever to do with life, liberty or the pursuit of happiness. "Good men will make a good system—they can make any system good," he says. "It isn't our system that is wrong, but the people who are wrong." Noble men are all that are needed. And then he claims the world is advancing under capitalism and the condition of the masses is rapidly improving.

Most of this is palpable nonsense. Only a meager knowledge of psychology is needed to realize than any economic system which inevitably results in extremes of either wealth or poverty produces the direct opposite of nobility. Who could expect to find any noble, selfless or disinterested traits in a rickshaw coolie whose standard of life is lower than that of a race horse, and to whom a copper is of more vital importance than a dollar to the average Shanghai foreigner? On the opposite extreme, how many persons with inherited leisure, i.e. wealth, use it for anything save selfish desires that usually involve dissipation and degeneration? Some few, it is true, do, but they are not many as any fairly complete daily newspaper reveals. And, in this respect, the world has rarely known a more degenerated and dissipated class than that represented by Mr. Ignatieff,—Counts, Grand Dukes and Czars who made imperial Russia synonymous with cruelty, depravity and backwardness. It is true that the human equation connot be ignored in any system, and it is also true that no system can change certain hereditary traits in man, but considering how much of man's sum total of characteristics is due to environmental conditions, it is idiotic to argue that systems do not mean anything.

In regard to Mr. Ignatieff's statement that the status of the masses is rising under capitalism, it is refreshing to turn to Mr. Foster's book, that is, refreshing to anyone not afraid of the reading the truth. Mr. Foster, it should be emphasized, uses capitalistic sources for virtually all of his factual statements about America, and so if anyone cares to dispute them they will be doubting the veracity of various Wall Street and government agencies, and not the veracity of Mr. Foster.

His book was written just this last May, and at that time the general business index in the United States was 60 as compared to 113 in August, 1929, and 72, the previous lowest ebb in American history, in 1894. At the same time, according to League of Nations statistics, world trade had fallen off 40% from 1929. In the United States there were upwards of 12,000,000 unemployed and almost as more part-time workers; throughout the world there were not less than 40,000,000 unemployed. Today, from all one can read, conditions are just as bad, if not worse.

One can, of course, take the stand that present conditions are abnormal and only temporary, but cold statistics of the greatest period of American prosperty are cheerless reading for those who believe the conditions of the masses can improve appreciably under capitalism. The U.S. Census of Manufactures, Mr. Foster cites, shows that from 1914 to 1923 wages paid rose from G.$4,009,000,000 to G.$11,-000,000,000 while the value added by manufacture increased from G.$9,224,000,000 to $25,832,000,000. Thus, during this period, the proportions remained about the same; the wages of labor increased at almost the same ratio as the value of the goods produced. But from 1923 to 1929, the so-called period of prosperity, wages declined to G.$10.-800,000,000 while the value added by manufacture increased to G.$27,500,000,000. This development is in strict accordance with the communist economic law that may be roughly expressed in the popular phrase that "the rich get richer and the poor get poorer," which Marx said was an inevitable aspect of capitalism. Perhaps Marx was wrong, but there is no evidence to date to disprove his assertion.

Along the same line it is also of interest to note than dividends and interest paid by American industry during both 1930 and 1931, the first two years of the depression, were greater than in 1929, the last year of "prosperity." This phenomenon was due to the huge surpluses the capitalists accumlated during "prosperity" by not distributing it to the workers in the form of increased wages.

Mr. Foster naturally does not overlook the opportunity to cite the progress of the Soviet Union during the period of the worst decline of the capitalistic world. The picture he paints may be a bit too rosy, but in essentials it conforms to information from non-communist sources. Certainly there is no unemployment (save for political offenses) in the Soviet Union and the standard of living there appears to be rising while it is obviously declining in the capitalistic world. On the other hand, the standard of living under communism, insofar as material comforts are concerned, is not yet as high as it is under American capitalism for a railroad worker or a linotype operator who is still employed as much as 35 or 40 hours a week. This, however, Mr. Foster does not mention.

The last chapter of Mr. Foster's book is an interesting but not surprising outline in the communist program if and when the Red Flag flies over the White House. Like the capitalists who profess to believe "prosperity is just around the corner," Mr. Foster apparently thinks the Red Revolution is just around the corner. Maybe so, but the signs of its coming (at least in the United States) seem to be as inconspicious as the evidence of a revival of prosperity.

As might be expected, Mr. Foster accepts Marx *in toto* while Mr. Ignatieff rejects him *in toto*. There are, it will be recalled, two fundmental conclusions in Marxian philosophy. One is that the conditions of the masses will steadily grow worse under capitalism; the other is that at a certain point the masses will overthrow capitalism and institute communism. At the moment, not only on basis of the facts presented by Mr. Foster, but on evidence from countless other sources, it may be said that the first point of Marxian theory has so far been verified approximately 99%, while the second point has, on an estimate of a billion and a half people in the world with 150 millions in Russia at the time of the revolution, come true only 10%. And what the future holds remains to be seen.

W. B.

The Course of the American Empire

America In The Pacific: A Century of Expansion, by Foster Rhea Dulles; Houghton Mifflin Company, New York.

Here is an extremely valuable and interesting account of the westward expansion of the United States from its original and rather uncertain boundaries in the Mississippi Valley to the Philippine Islands. Mr. Dulles writes well, his citation of sources is thorough, and the result is a book of prime historical importance that is not precisely duplicated by any other volume known to this reviewer. At times, perhaps, he is a bit too charitable of men and motives, but in the main he tells his facts clearly and unreservedly and ets the chips fall where they may.

The early part of the book is devoted to the America occupation of the west coast of what is now the United States. There were conflicts with England on the north and Spain and Mexico on the south and the tale is somewhat sordid and ruthless, but here, at least, the United States was following out a quite justifiable "manifest destiny" from any sanely realistic viewpoint although every step of the conquest would be difficult to defend.

Next came the adventures of Admiral Perry who was an imperialist of the first water and would have seized Japan, Formosa, most of the other island of the northern Pacific, and probably part of China if he could have obtained the backing of the government in Washington. And it would be interesting even though fruitless to speculate on the course of history had Perry been allowed to carry out his ambitions.

Much of American expansion has been over the protest of a large and sometimes major part of the country. This was especially true of Alaska which was purchased from Russia almost entirely through the efforts of Secretary of State Seward. Nor was their any vast enthusiasm for the subsequent annexation of Samoa and Hawaii, both of which were acquired by methods somewhat less pure than purchase.

Perhaps the blackest chapter in the history of American imperialism was the conquest of the Philippine Islands. There is not, of course, any need to waste sympathy on Spain, but, as Mr. Dulles makes clear, the United States gave an implied if not actual promise to the Filipinos to grant them their independence for assistance against the Spanish. And the Filipinos took this promise so seriously that it required 24,000 soldiers and a couple of years of intensive and merciless guerilla warfare to convince them of the benign glories and benefits of American rule.

However, we have President McKinley's word for it that the United States annexed the Philippines strictly in accordance with the Divine Will and not with any sordid motives.

"I walked the floor of the White House night after night," Mr. McKinley explained to a delegation of preachers, "and I am not ashamed to tell you, gentlemen, that I went down on my knees and prayed to Almighty God for light and guidance more that one night. And one night late it came to me this way—I don't know how it was, but it came, ... that there was nothing left for us to do but to take them (the Philippines) all, and to educate the Filipinos, and uplift and civilize and Christianize them, and by God's grace do the very best we could by them, as our fellow men for whom Christ also died. And then I went to bed and went to sleep soundly."

After that, of course, there is nothing else to be said save "Amen!"

Shanghai, November 2, 1932. W. B.

Ingenious Plan for World Reconstruction by Chinese

Emulating the achievements of the author, or more exactly, the elaborator of the famous Social Contract Theory, Jean Jacques Rousseau, Wu Shan, Chinese Good Roads Movement promoter, has worked out an ingenious plan, after ten years of labor, for the reconstruction of the world in the form of a Utopian Contract. The purpose of the plan is an ambitious one: the fusing of the five dominant races of the world into one Utopian Race and the creation of a world commownealth. In order to realise this purpose, the author proposes in his plan the founding of a Utopian Institute for the reformation of the human race. Among other things, he advocates the abolition of the relationship between husband and wife, the family system, all systems of private onwership and similar evil ways of life and recommends the establishment of sex stations for the instruction of new methods of production of the new perfect Utopian Race. The author pays special attention to the sex relations and makes elaborate and detailed provisions therefor from child-bearing to the child's upbringing and cultivation through Utopian nurseries, Utopian Kindergartens, Utopian Parks, model Utopian Institutes, etc.

By operation of this ingenious plan, the author hopes to end all wars and strifes of mankind and achieve universal peace and freedom. He particularly objects to all systems of private ownership which he says, must be done away with in order to produce the habits of "producing by all," "governing by all," "possessing by all" and "enjoying by all." By eliminating all evil customs and habits among the races with reference to birth and cultivation and thus removing the causes of struggle, the author says the Utopian theory can be realized and consequently the Utopians can be blessed with the full enjoyment of the six important elements of life, food, clothes, shelter, motion, sex and happiness.

The whole plan is certainly an amusing one. The author displays both imagination and ingenuity, but the scheme is so fantastic that it can hardly be expected to have an opportunity of experiment.

The plan consists mainly of three parts, all in the form of articles, the fundamental principles, the reformation of the human race and methods therefor and the provisional constitution of the Utopian Association. It is prefaced by a number of well-known people, including the veteran Kuomintang leader Wu Tsu-hui, Wong Kyung-chih (the former Chinese Minister to Belgium), Gen. Liu Chen-hu and one Woodman of the Yellow Hill.

READERS of *The China Weekly Review* who may be interested in obtaining copies of any books which have been reviewed in these columns, may obtain them by sending their orders in care of *The Review*....If obtainable in Shanghai the books will be mailed immediately at retail prices prevailing in Shanghai, plus postage, or if not obtainable here, they will be ordered from the publishers abroad. Send orders or inquiries to Book Editor, *The China Weekly Review*, 38 Avenue Edward VII, Shanghai.

In the United States Court for China

In. re. Estate of BERTHA CATHERINE BIXBY, Deceased — Cause No. 3482; Special Proceedings No. 802; NOTICE

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of Bertha Catherine Bixby, deceased, to present the same with vouchers to the undersigned on or before May 12, 1933, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Shanghai, China.
November 9, 1932.

HELEN F. DEARBORN
47-A Great Western Road,
Shanghai.

In the United States Court for China

In re. Last Will & Testament of KATE L. OGBORN, Deceased — Cause No. 3489; Special Proceedings No. 805; NOTICE

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of Kate L. Ogborn, deceased, to present the same with vouchers to the undersigned on or before May 20, 1933, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Shanghai, China,
November 15, 1932.

PAUL G. HAYES
Wuhu, China.

Dr. David A. Brown, Famine Relief Worker, Addresses Shanghai Audience

David A. Brown, of the China Famine Relief, U. S. A., who arrived in Shanghai last week from an extensive aerial tour of the interior of China spoke on of the Goodwill Movement, of which he is the founder, at a meeting under the auspices of the local Goodwill Fellowship, in the lounge of the Foreign Y. M. C. A., November 22. Immediately preceding the address Dr. Brown was the guest of honor at a dinner of the members of the Fellowship. He also addressed the November monthly luncheon meeting of the American University Club Nov. 22 at the Astor House on the subject of "Flood Relief in China."

Dr. David A. Brown

The most serious situation in the interior prevails in those parts of Shansi where locusts, hail, and drought have contributed to famine conditions, Dr. Brown said. The necessity of the construction of motor roads in many parts of China was also stressed.

Dr. Brown is a banker by profession, of the Jewish religious faith, but strictly non-sectarian in all of his social activities. He was born in Edinburgh, Scotland, but has lived in America the major portion of his life.

During the past twenty-five years he has been chairman of many Jewish and non-Jewish relief organizations and is credited with having sponsored and been the active head of campaigns which have raised in the United States for foreign and domestic relief, considerably in excess of $100,000,000. He was made a doctor of Hebrew Law by the Hebrew Union College in 1928. He is Chairman of the Board of Finance of the Union of American Hebrew Congregations, member of the Jewish Agency, a member of the Board of the Joint Distribution Committee, and many other social organizations in America. For the past four years, he has been Chairman of China Famine Relief, U. S. A. and during the period of the floods in China, was the Chairman of the Flood Relief in China, U. S. A. His purpose is to study relief work in China, covering those sections of the country which have been greatly affected by famine and flood, and to report back to the friends of China in America the results of the effort and the requirements for the future.

Dr. Brown Refutes Charge that Opium Is Grown on Wei Pei Irrigated Land

Charges that irrigated land in the province of Shensi has been used for the purpose of growing opium were strongly refuted by Dr. David A. Brown, Chairman of China Famine Relief, U.S.A. Inc., before his departure from Peking for Shanghai. Mr. Brown, in the course of a signed statement, declared that he made a special point of investigating these charges during his visit to the province of Shensi and the Wei Pei irrigation project, which is entirely responsible for the irrigation of the land in question. During a visit made in the early part of November to the province of Shensi and the Wei Pei irrigation project, Mr. Brown and his associate, G. Findlay Andrew, covered large sections of the now irrigated land, and there was no evidence that opium had been grown, or was to be grown, on one foot of this land. Careful inquiry was made and conversations were held with those who continually travel through that section of Shensi. These investigations revealed the fact that no poppy had been grown on the land served by the canals.

Most Decidedly—A Case For

TRADE MARK PINKETTES

Liver & Laxative Perfection

GENTLE, NON-GRIPING, for CONSTIPATION, "LIVER," DEPRESSION.

IN THE UNITED STATES CONSULAR COURT
FOR THE DISTRICT OF SHANGHAI, CHINA.

In re. Estate of DOMINADOR VILLARRUZ Deceased	Cause No. Special Proceedings No. 185 NOTICE

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of Dominador Villarruz, deceased, to present the same with vouchers to the undersigned on or before May 26, 1933, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Shanghai, China. November 18, 1932.

RAVEN TRUST COMPANY Fed. Inc. U.S.A.

IN THE AMERICAN CONSULAR COURT
FOR THE DISTRICT OF SHANGHAI, CHINA.

In re. Estate of BERTHOLD CANN Deceased	Cause No. Special Proceedings No. NOTICE

Pursuant to an Order of side Court notice is hereby given to all persons having claims against the estate of Berthold Cann, deceased, to present the same with vouchers to the undersigned on or before May 19, 1933, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Shanghai, China. November 16, 1932,

RAVEN TRUST COMPANY 29 Nanking Road Shanghai.

Subscribe to

The China Weekly Review

$12.00 per year

NARA Report

President's Thanksgiving Proclamation

Whereas at this season of the year our people for generation past have always turned their thoughts to thankfulness for the blessings of Almighty God,

Now, therefore, I, Herbert Hoover, President of the United States, set aside and declare Thursday, November 24, 1932, as a day of national thanksgiving and I do urge that they repair to their places of public worship there to give thanks to the beneficent Providence from whom comes all our good and I do further recommend, inasmuch as this year marks the two hundredth Anniversary of the birth of George Washington the father of our country whose immeasurable services to our liberties and our security are being perennially renewed upon us, that our people refresh their memory of his first Thanksgiving Proclamation which I append and incorporate in this present proclamation:

"Whereas it is the duty of all nations to acknowledge the providence of Almighty God, to obey His will, to be grateful for His benefits, and humbly to implore His protection and favor; and

"Whereas both Houses of Congress have, by their joint committee, requested me 'to recommend to the people of the United States a day of public thanksgiving and prayer, to be observed by acknowledging with grateful hearts the many and signal favors of Almighty God, especially by affording them an opportunity peaceably to establish a form of government for their safety and happiness:

"Now, therefore, I do recommend and assign Thursday, the 26th day of November next, to be devoted by the people of these states to the service of that great and glorious Being who is the beneficent author of all the good that was, that is, or that will be; that we may then all unite in rendering unto Him our sincere and humble thanks for His kind care and protection of the people of this country previous to their becoming a nation; for the signal and manifold mercies and the favorable interpositions of His providence in the course and conclusion of the late war; for the great degree of tranquility, union, and plenty which we have since enjoyed; for the peacable and rational manner in which we have been enabled to establish constitutions of government for our safety and happiness, and particularly the national one now lately instituted; for the civil and religious liberty with which we are blessed, and the means we have of acquiring and diffusing useful knownledge; and in general, for all the great and various favors which he has been pleased to confer upon us.

"And also that we may then unite in most humbly offering our prayers and applications to the great Lord and Ruler of Nations, and beseech Him to pardon our national and other transgressions; to enable us all, whether in public or private stations, to perform our several and relative duties properly and punctually; to render our National Government a blessing to all the people by constantly being a Government of wise, just, and constitutional laws, discreetly and faithfully executed and obeyed; to protect and guide all sovereigns and nations (especially such as have shown kindness to us), and to bless them with good governments, peace and concord to promote the knowledge and practice of true religion and Virtue, and the increase of science among them and us; and, generally, to grant unto all mankind such a degree of temporal prosperity as He alone knows to be best.

"Given under my hand, at the city of New York, the 3rd day of October, A.D. 1789."

In witness whereof I have hereunto set my hand and caused the Seal of the United States to be affixed.

Done at the city of Washington this third day of November in the Year of our Lord 1932, and of the Independence of the United States of America the one hundred and fifty-seventh.

HERBERT HOOVER.

Americans in Shanghai Celebrate Thanksgiving Day

The annual Thanksgiving Day service in Shanghai was held this year, as it has beeen for many years, in the Holy Trinity Cathedral, Thursday, Nov. 24. Judge Milton D. Purdy presided. E. S. Cunningham, U. S. Consul General, read the Thanksgiving Day proclamation. The address of the day was delivered by the Rev. E. W. Luccock, pastor of Community Church. A full musical program was a feature of the service. The director of the chorus was L. C. Perry. The soloist was Mrs. Kendall E. Graham.

A special Thanksgiving tiffin at the Foreign Y. M. C. A. and a football match between an all-Shanghai team and the U. S. Marine Corps were also features of the day's celebrations.

C. S. Taylor to Act as Shanghai Power Co. Agent in London

C. S. Taylor, for many years deputy chief engineer and general manager of the Municipality Electricty department, and latterly Vice-President and General Manager for the Shanghai Power Co, has been appointed a representative in London of the companies associated with the Electric Bond and Share Company. His immediate responsibilities will be the selection and supervision of the 22,500 k.w. turbo set for the extension to the Shanghai Power Company's Riverside station. Mr. Taylor's London address is care Whitehall Securities Corporation, 53 Parliament Street, Westminster, S. W. 1.

C. S. Taylor

American Economist Says America Will Be Forced Off Gold Standard

It is only a question of time when the United States will be forced off the gold standard as many other nations have been forced, Charles Spalding Thomas, well-known monetary expert living in Denver, Colorado, recently wrote to President-elect Franklin D. Roosevelt. Such a measure is the only method of preventing inflation and of returning the purchasing power which is absolutely essential to the world's welfare, Mr. Thomas wrote. No people can pay in gold exclusively now or hereafter, the letter says, and the writer contends that the United States will be forced, like Britain, to abandon the present system for greater advantages in the future. Mr. Thomas is a Democrat, a lawyer and a lifelong student of monetary systems.

T. V. Soong Is Virtual Head of Chinese Government

T. V. Soong, Minister of Finance, arrived in Nanking from Shanghai in his private plane Nov. 21, and is expected to remain there for at least a week. The purpose of his visit is to confer with his fellow Ministers in regard to the developments at Geneva. In the absence of General Chiang Kai-shek at Hankow and Wang Ching-wei abroad, T. V. Soong is virtually head of the National Government.

R.C.A. Given 2 1-2 Years to Reorganize

A telegram from Wilmington, Del., Nov. 14 stated that the United States government's suit to dissolve the the corporate existence of the Radio Corporation of America, and allied companies would probably never come to trial as the defendants had offered to settle the case out of court. The suit against the alleged Radio trust is the greatest the U. S. Government ever brought under the Sherman anti-trust laws. The defendant companies are trying to prove their assertion that they are doing less than 20 percent of the radio receiving set business in America and less than 40 percent of the tube business. In order to prevent ultimate trial of the suit, the companies will have to make readjustments that will satisfy the Government that they are not restraining domestic and foreign commerce. Later a consent decree was issued by the Federal Court allowing the R.C.A. two-and-one-half years to divorce itself from the General Electric and Westinghouse Electric companies and refrain from patent license practices that tend to restrain trade.

George F. Shecklen, China Representative of the R. C. A. received a statement from the Corporation by radio Nov. 22 which makes clear that the Radio Corporation, through its established subsidiaries and with their present personnel, will continue to function as heretofore in trans-oceanic communication, in ship-to-shore communication, in the radio manufacturing industry, in broadcasting, and in the entertainment field. The R. C. A. now receives patent rights and licenses for the manufacture and sale of radio devices useful in other than the generally recognized lines of radio business. Because of the great variety of purposes to which the vacuum tube is now being adapted, these additional rights will enable the Radio Corporation to extend its manufacturing business into new phases of the electronic art. An item of G.$17,938,733 currently owed by the Radio Corporation to the General Electric and Westinghouse Companies has been disposed of through purchase by the General Electric Company of the R. C. A, Building located at 51st Street and Lexington Avenue, in New York City, at its present book value of G.$4,745,000, through the issuance of 10-year debentures in the amount G.$4,255.000, and, as part of the readjustment, the balance of G.$8,938,733 is discharged by the two electric companies in consideration of the new agreements.

Canton Mechanics' Union Appeals to Geneva Against Japan

At the conclusion of the fourth plenary session of the Chinese Mechanics' Labor Union at Canton last week a telegram was despatched to the International Labor Bureau at Geneva, which among other things said: "We, as laborers and citizens of China, have highly resolved that we shall resist Japan's aggression with a united front, and in the meantime we appeal to our labor friends in other parts of the world to lend us a helping hand. 'Manchuria' is an old name for the three provinces in the northeastern part of our country and belongs to us by heritage. There never has occurred to the world the idea that this territory is segregated from China proper. It is our sincere hope that the League of Nations and the signatories of the Nine-Power Pact will strongly stand by their agreements, and in upholding their solemn promises, will not acquiesce to a Japanese plan of solving the Manchurian problem."

Methods of Balancing U. S. Budget Are Discussed in Washington

Various methods of balancing the American budget are now being discussed in Washington. Representative John E. Rankin of Mississippi has started a drive for an inflation program of the kind which President Herbert Hoover said would imperil American finances. Rankin wants to authorize the issuance of Federal Reserve currency to a maximum equalling the treasury deficit which is expected to reach G.$2,000,000,000 by the end of the fiscal year. In the meetings of the budget bureau the army and navy have already agreed that there shall be no deficiency appropriations but they have insisted that there be no great reductions from the amounts appropriated at the last session. The Navy has indicated it was to ask for approximately G.$340,000,000 and the Army wants G.$350,000,000.

Latest New York Stock Exchange Quotations

Market—Steady Business Done 500,000 Shares

Nov. 23, 1932

1931-2 High	1931-2 Low	Div.$ per Sh.	STOCKS	Mon. Nov.21	Tues. Nov.2
9¼	1⅝	—	Adams Express	6⅛	6¼
88¼	42½	*6.00	Allied Chemical & Dye	79	79¼
15⅝	4	—	Allis Chalmers	8½	8½
78⅞	29⅝	*4.00	American Can	55¼	54⅞
15	2	—	American & Foreign Power	8	8
10	1⅛	—	American & Foreign Power Warr.	5⅜	5⅜
27¼	5¼	—	American Smelting	15½	15⅝
137⅜	70¼	9.00	American Telephone & Telegraph	108¾	108⅝
89¾	44	*5.00	American Tobacco "B"	64⅝	65
34½	11	2.00	American Waterworks	21¼	21⅛
19⅜	3	—	Anaconda Copper	9⅝	9¼
151¾	28¾	*4.00	Auburn Automobiles	45½	46
21⅝	3¾	—	Baltimore & Ohio	12	11¼
29⅝	7¼	—	Bethlehem Steel	18¼	18
43½	20	*2.00	Borden Company	25⅝	24⅞
14¼	3⅝	—	Borg Warner	9¾	9⅝
20⅝	7¼	—	Canadian Pacific Railway	14	13¾
65¾	16¾	—	Case, J. I.	43¾	43¾
47⅞	19	2.00	Chase Bank	35¾	36
20¾	4⅞	2.00	Chesapeake Corp.	15⅜	15¼
21⅜	5	1.00	Chrysler	16¼	16⅜
6⅞	1¼	—	Cities Service Company	3¼	3¼
21	4¼	1.00	Columbia Gas & Electric	13⅜	13⅞
5¾	1⅝	.80	Commonwealth & Southern	3⅝	3
1	1/16	—	" Warr.	1/16	1/16
68¾	31½	4.00	Consolidated Gas of N. Y.	58⅜	58
9¾	3⅝	—	Continental Oil	6¼	6⅛
55⅝	24¾	*3.00	Corn Products	52⅝	52½
7⅝	1½	—	Coty Inc.	3⅞	4
3¼	⅞	—	Curtiss Wright Company	2⅛	2
57	23	4.00	Drug Incorporated	34¼	34⅛
59¾	22⅛	2.00	Du Pont de Nemours	37½	27½
87⅞	36¼	3.00	Eastman Kodak	54⅜	54⅜
45	5	6%S	Electric Bond & Share	22⅝	22⅞
16	2¾	—	Electric Power & Light	8	7¾
5⅝	1	—	Fox Film "A"	3	Unq.
26⅛	8½	.40	General Electric	16¼	16⅛
40½	19⅝	2.00	General Foods	25½	24¼
24⅝	7⅝	1.00	General Motors	13⅞	14
28⅝	6⅛	1.00	General Railway Signal	Unq.	Unq.
24¼	10⅝	1.00	Gillette Safety Razor	17⅞	18
20⅝	8¼	1.60	Gold Dust	16⅜	16⅜
12⅜	2¼	—	Goodrich Rubber	5½	5½
29¾	5½	—	Goodyear Tire & Rubber	16¾	16¼
18¾	3⅝	—	International Cement	Unq.	9½
1⅞	½	—	International Com. Engine.	Unq.	⅝
84½	10⅞	1.20	International Harvester	22¾	22⅞
12½	8½	—	International Nickel	8½	8⅜
15¾	2⅜	—	International Telephone & Telegraph	9⅞	9¾
33⅜	10	—	Johns Manville	28	28¼
19¼	4⅞	—	Kennecott	11⅝	11
9⅛	1/32	—	Kreuger & Toll	⅛	⅛
67¼	32⅛	*4.00	Liggett & Myers, "B"	56¾	56½
87¾	13¼	*3.00	Loew's: Inc.	26½	25½
18⅜	9	1.20	Lorillard P. Co. (Com.)	13¼	13¼
11⅜	1½	—	Lu ium Steel	Unq.	Unq.
16½	3½	—	Montgomery Ward	Unq.	14
64½	28¾	2.00	National City Bank (bid price)	45½	46
10¼	2½	—	Nevada Copper	5¾	5¾
86⅝	8¾	—	New York Central	23⅝	23¾
48¼	13¾	10%	North American Company	29⅝	29⅞
37	16⅞	2.00	Pacific Gas & Electric	28⅞	29⅜
5¼	1½	—	Packard Motors	2⅞	3
11½	1½	—	Paramount—Publix	3¼	3¼
23⅜	6½	—	Pennsylvania Railroad	14½	14
4⅜	1	—	Pennroad Corporation	1¾	1⅝
8⅜	2	—	Phillips Petroleum	6	5⅞
60	28	3.20	Public Service of N. Jersey	50	49½
12½	2½	—	Radio Corporation	6	6⅛
7¾	1½	—	Radio-Keith Orpheum	3¾	3⅝
40¼	26½	3.00	Reynolds Tobacco "B"	29⅜	28⅝
37⅜	9⅞	—	Sears Roebuck	20½	20⅝
8¾	2½	—	Shell Union	5⅞	4⅝
13⅜	3	—	Simmons Company	8½	7⅞
12¼	5¼	.80	Socony-Vacuum Corp.	8⅝	8⅝
32⅝	15¾	2.00	Southern California Edison	25¼	25½
84¼	7⅝	2.00	Standard Gas & Electric	16⅝	16¼
37⅜	19⅞	*1.00	Standard Oil of N. Jersey	31⅛	31
18¼	9¼	1.00	Texas Corporation	16	15⅞
26¾	12	2.00	Texas Gulf Sulphur	23	23
7¼	2½	—	Trans America	5⅛	5½
86⅝	15½	1.20	Union Carbide & Carbon	25⅞	25½
94½	27⅝	6.00	Union Pacific Railway	71½	71¼
34⅜	6½	—	United Aircraft & Trans.	27⅝	27¼
14	3½	.40	United Corporation	8⅜	8⅞
22	9¾	1.20	United Gas Improvement	18⅜	19
10¼	1¼	—	U. S. Rubber	5⅞	Unq.
52⅝	21¼	—	U. S. Steel	35⅛	35½
23¾	5¼	—	Vanadium	14	14
4⅞	½	—	Warner Bros. Pictures	2⅛	2
43½	15⅞	—	Westinghouse E. & M	28¾	29
45⅝	22	2·40	Woolworth	37⅛	37¼
*Plus extras			Call Money	1%	1%

SWAN, CULBERTSON & FRITZ

Swan Culbertson & Fritz

Investment Securities—Local & Foreign

Safe Deposit Facilities

New York stock quotations received daily

Sassoon House Telephones 11200 (4 lines)

How U.S. Loans Helped the Allies During the War

In an apparent attempt to focus public attention on the United States position in the matter of foreign debt-settlements, the State Department on Nov. 20 released diplomatic correspondence with the Allied Powers regarding money matters. The correspondence tended to show that the loans obtained from the United States saved the Allies from serious monetary difficulties and one document showed that England had at the time of one of the loans only enough money to keep her exchange up to par for one day.

Some very pertinent figures with regard to war debts were given by the *New York Times* Nov. 20. It said that "measured by what people could buy with the money in their own countries, the real cost of wardebt payments had increased by 87 per cent in the case of the British taxpayer, and decreased by 30 per cent. in the case of the French tax-payer since the debt and the funding agreements were made. At the same time the real value of payments to the United States Government had risen by 54 per cent.

"Trotsky" Communists Being Questioned at Nanking

Chen Tu-hsiu and Peng Shu-chih, leaders of the Trotsky faction of the Chinese Communist Party, were examined at Nanking Nov. 15 for the third time since their arrest at Shanghai last month. For two hours they were subjected to close questioning by Procurator Chung Shang-pin of the Kiangsu Higher Court. The two prosoners will appear before the Court for formal trial when the examination of the voluminous documentary evidence is completed.

Canton Asks for Punishment of Chen Tu-hsin

The City Kuomintang at Canton has sent to Nanking a statement in which they connect the name of Chen Tu-hsiu, the alleged communist leader recently arrested in Shanghai, with the massacre which took place in Canton in 1927. The Canton branch of the Kuomintang asks for swift and extreme punishment for Chen, who is prominent in China as a scholar of liberal thought. Dr. Tsai Yuan-pei, veteran statesman, has been pleading for Chen and the Canton Kuomintang censures him for his "leniency" towards the captive.

Alleged Russian Terrorists to Be Deported

Seventeen of 24 alleged Russian terrorists arrested in Harbin and other places in North Manchuria during the last few months, have been released on bail by the Changchun authorities. They will probably be deported to Russia.

泰 SILBERMAN'S 明

HIGH CLASS

OUTFITTING STORES

8 BROADWAY (ASTOR HOUSE)

TEL. 40871

AND BRANCH

75 SZECHUEN ROAD (CENTRAL ARCADE)

TEL. 19000

The National City Co. Gold Bond Quotations Received From Head Office

Nov. 18 1932.

SECURITY	RATE &	DATE DUE	Price	Approx Yield%
The National City Bank of New York		Stock	46½	—
Argentine Government	6 %	May 1, 1960	49	—
U. S. of Brazil	6½%	Oct. 15, 1957	17½	—
Republic of Finland	6½%	Sep. 1, 1956	68½	9.98
German Central Bank for Agriculture	6 %	Oct. 15, 1960	48⅝	—
Kingdom of Italy	7 %	Dec. 1, 1951	97½	7.24
State of Minas Geraes Series "A"	6½%	Sep. 1, 1959	13	—
State of Sao Paulo (Brazil)	7 %	Oct. 1, 1940	57⅛	—
American I. G. Chemical Corporation	5½%	May 1, 1949	74⅜	8.43
Chine Westphalia Electric Power Corp.	6 %	Apr. 1, 1955	48¾	—

QUOTATIONS RECEIVED FROM LONDON OFFICE

Republic of China Gold Loan	5 %	1925	70½	—
Chinese Govt. Re-org. (£) Loan Stamped	5 %	1913/60	73½	—
Chinese Govt. Re-org. (£) Loan Unstamped	5 %	1913/60	71½	—
Chinese Government (Crisp Loan)	5 %	1612	45	—
Shanghai-Nanking Railway	5 %	1904/08	45	—
Shanghai-Hangchow-Ningpo Railway	5 %	1908/58	82	—
Hukuang Railway	5 %	1911/1951	26	—
Tientsin-Pukow Railway	5 %	1908/09	27	—

NOTE: The above quotations are received by cable, and whilst believed to be correct, are not guaranteed.

The National City Bank of New York, Rates of Exchange

Shanghai Nov. 23, 1932.

Demand selling rate on America:	U.S. $1.00=Sh. $4.982
Demand buying rate on America:	U.S. $1.00=Sh. $4.7012
Dmand selling rate on London:	£1.0.0=Sh. $15.770
Demand buying rate on London:	£1.0.0=Sh. $15.889

WEAK NERVES—DYSPEPSIA—RHEUMATISM

Any derangement of the nervous system invariably affects the nerves of the stomach and gives rise to digestive disorders. And whilst digestion may be faulty, indigestion is not always accompanied by pain. But the acidity, often unsuspected, which is set up, is frequently at the root of rheumatic and sciatic troubles.

Where rheumatism has a nervous or dyspeptic origin it is obviously futile to rely upon external applications and embrocations, baths, etc. It is equally futile to combat the acidosis by anti-acid remedies which merely neutralise some of the acids without removing the cause of their manufacture.

The most effective treatment is one which aims at the all-round building up of the system, which strengthens the nerves, makes digestion normal and thus eradicates the root cause of the evil.

For this purpose a course of Dr. Williams' Pink Pills has proved efficacious in countless cases in all parts of the world.

Dr. Williams' Pink Pills create new supplies of rich pure blood, invigorating the nerves, strengthening the digestive organs and thus provide the treatment which is obviously along the only lines that can be expected to produce permanent results.

Sufferers from rheumatism and sciatica should give Dr. Williams' Pink Pills a trial. Their efficacy has been proved so often that they are offered with the greatest confidence.

COMMERCIAL EXPRESS & STORAGE CO.

EXPORT PACKERS

8B YUEN MING YUEN ROAD SHANGHAI TEL. 16931-2-3